surfboard Limited

ANNUAL REPORT

ABN 80 009 132 405 AND CONTROLLED ENTITITIES

Surfboard Limited
(formerly Grange Resources Limited)
ABN 80 009 132 405

Company Details

Directors	Paul Bankcard *(Non-Executive Chairman)* Don Hagans *(Managing Director)* Philip Brown *(Non-Executive Director)* Ludger Kohmascher *(Non-Executive Director)* Hans-Rudolf Moser *(Non-Executive Director)*
Company Secretary	Julie McCormack
Registered Office	43 Phillip Street Sydney NSW 2000 Telephone: (61 2) 9251 8966 Facsimile: (61 2) 9251 7581 Web: www.surfboard.net.au
Perth Office	Level 13, Forrest Centre 221 St George's Terrace Perth WA 6000 Telephone: (61 8) 9321 1118 Facsimile: (61 8) 9321 1523
Share Registry	Computershare Investor Services Pty Limited Level 2 45 St George's Terrace Perth WA 6000
Auditors	Ernst & Young 321 Kent Street Sydney NSW 2000
Solicitors	Clayton Utz Bank West Tower 108 St George's Terrace Perth WA 6000
Principal Bankers	Bank of Western Australia Limited 108 St George's Terrace Perth WA 6000 NM Rothschild & Sons (Australia) Limited Level 24 Exchange Plaza 2 The Esplanade Perth WA 6000
Stock Exchange	Surfboard Limited is listed on the Australian Stock Exchange Limited (ASX Codes: SBD and SBDO) and the "OTC" Markets in Berlin, Munich, Stuttgart and Frankfurt in Germany (Code: WKN. 917447)

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1 CHAIRMAN'S REPORT

On behalf of your board of directors, I have pleasure in presenting the annual report and financial statements of Surfboard Limited and its controlled entities ("Surfboard") for the financial year ended 30 June 2001.

The Company performed well in the second half of the financial year and generated a net profit of $2.1 million during that period. This followed the implementation of a number of initiatives and steps in response to difficulties experienced in the first half of the year.

Shareholders will be aware of the pit wall failure at the Mt Windsor Highway copper mine and subsequent conditions that markedly affected production at the mine, as well as cash available to the Company, for a number of months. Shareholders will also be aware of the dramatic market downturn in the technology sector. These factors had a significant impact on the Company's technology operations and investments. The necessary write-off of intangibles and other costs associated with the acquisition and development of the Company's technology assets and investments is the major contributor to the Company's net loss of $12.9 million for the full financial year.

Presently, mining activities the Mt Windsor Highway copper mine are scheduled to continue until approximately March 2002. Mining life at Mt Windsor itself is now expected to extend for a further fifteen months due to approval of the Reward Deeps/Conviction project in June 2001.

Now that the Company has completed its period of stabilisation, and with the favourable second half results in place, the Company's focus in the next financial year will be on:

- Ensuring the Company's medium to long-term security and profitability by development of strategic business initiatives and opportunities.
- Maximising the return from existing assets and operations.
- Preserving requisite cash for the development of its assets and initiatives.

The results of the next financial year should show a full return to profitability.

The 2001/02 financial year should see the continuation of mining activities at the Highway copper mine, the development of the Reward Deeps/Conviction underground mine, the commencement of production from the underground mine and ongoing exploration at Mt Windsor aimed at proving up additional reserves and resources.

The successful performance of Surfboard in the second half of the year is largely attributable to the significant efforts of the management team and supporters of the Company in what has been a difficult year for the Company and the market in general.

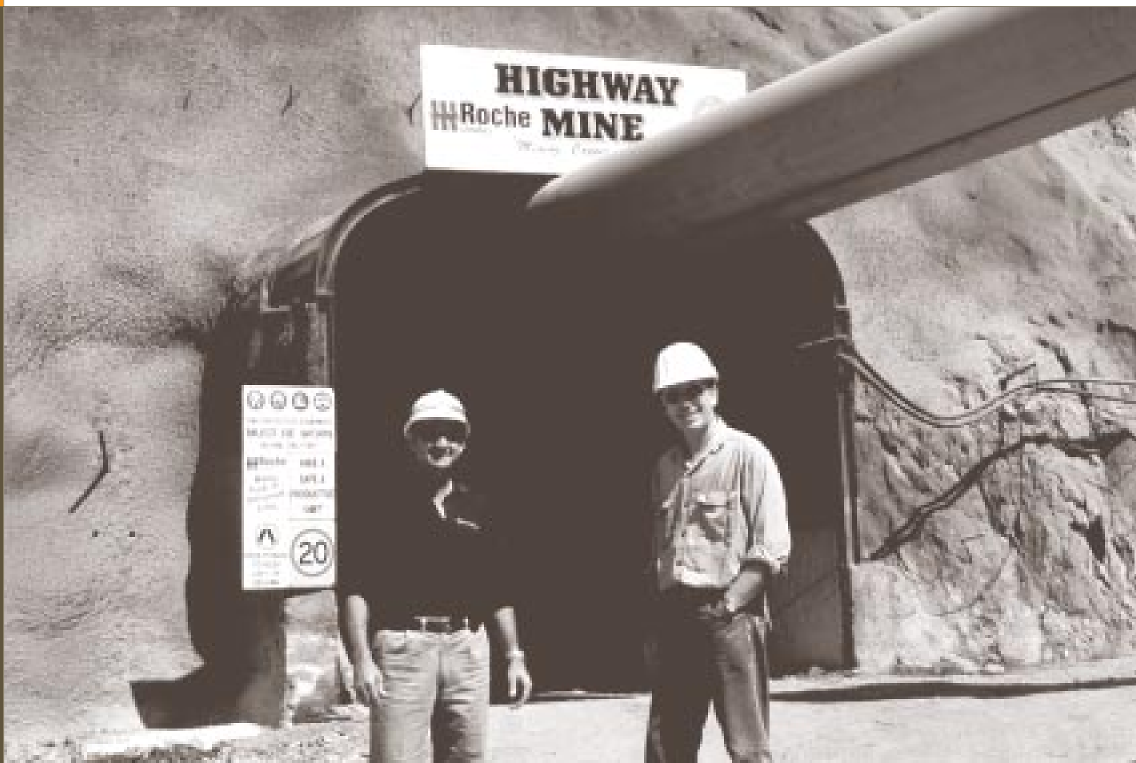
signature

P J Biancardi
Chairman

chairman's photograph to be supplied and inserted

THE COMPANY PERFORMED WELL IN THE SECOND HALF OF THE FINANCIAL YEAR AND GENERATED A NET PROFIT OF $2.1 MILLION DURING THAT PERIOD.

2 REVIEW OF OPERATIONS



OVERVIEW

The major activities of Surfboard during the year were:

i) Continuation of mining activities at the Highway copper mine, which contributed a gross profit of $10.8 million and a net profit after depreciation and amortisation of $4.1 million to the result. Problems were encountered in the first half of the year, principally due to a pit wall failure. The mine, however, performed well in the second half of the year.

ii) Completion of a feasibility study and associated due diligence on the Reward Deeps/Conviction underground mine and approval of the development of the project.

iii) Commencement of the Reward Deeps/Conviction underground mine.

iv) Exploration drilling at the Acquittal prospect in the Mt Windsor Joint Venture resulting in the discovery of semi massive sulphide mineralisation along strike from the Highway mine.

v) Activities associated with the development of the Surfboard Securities Limited financial services technology platform, culminating in the completion of the initial phase of the platform, comprising share trading related and content delivery components. Further development activities ceased due to adverse market conditions and cash availability.

vi) The disposal of the Company's investment in ECAT Development Capital Limited, resulting in a profit of $1.2 million.

vii) A review of the Company's strategy, and development of initiatives in regard its financial services technology, new business and other associations.

MINING AND EXPLORATION ACTIVITIES

MOUNT WINDSOR JOINT VENTURE
(Surfboard 30%, TCM 70%)

The Mt Windsor Joint Venture is an unincorporated joint venture between BML Holdings Pty Ltd ("BML") 30% and Thalanga Copper Mines Pty Limited ("TCM") 70%, the manager. The project comprises the Highway and Reward open pit copper mines, Reward Deeps/Conviction underground copper mine (under development) and exploration within the surrounding tenements. The project area is located approximately 37 km south of Charters Towers in North Queensland.

The past year proved to be an active one for the joint venture. There were several significant events including a wall failure in the Highway pit, the commencement of development of the Reward Deeps underground mine, the installation of a new regrind mill at the Thalanga plant and the discovery of semi massive sulphide mineralisation at the Acquittal prospect. The excellent recovery of the Highway project following the serious wall failure in September 2000 is a credit to the attitude and skills of the technical and operational personnel at the Highway mine and the Thalanga plant.

HIGHWAY COPPER MINE
(Surfboard 30%, TCM 70%)

Operations

During the year 607,729 tonnes of ore grading 5.91% copper and 1.1g/t gold were processed through the Thalanga plant for the production of 123,299 tonnes of copper concentrate grading 27.22% copper and 1g/t gold. A summary of production statistics for the project to 30 June 2001 is presented in the accompanying Table 1:

Table 1
MT WINDSOR JOINT VENTURE HIGHWAY PROJECT
– PRODUCTION STATISTICS FOR COPPER

		Project to 30 June 2000	Sept 00 Quarter	Dec 00 Quarter	Mar 01 Quarter	June 01 Quarter	Year to 30 June 2001	Project to 30 June 2001
COPPER ORE								
Ore Mined (t)		488,953	142,948	59,193	281,694	268,594	752,429	1,241,382
Ore Milled (t)		462,196	158,197	44,455	191,980	213,097	607,729	1,069,925
Head grade	– Copper %	4.37	5.54	2.78	5.32	7.37	5.91	5.24
	– Gold (g/t)	1.19	1.08	1.41	1.18	0.99	1.10	1.14
	– Silver (g/t)	10	10.59	12.04	11.00	10.9	10.93	10.52
Recovery	– Copper %	86.7	92.0	88.98	93.34	94.63	93.12	91.00
	– Gold %	16.8	17.3	10.2	17.0	23.3	18.79	17.91
	– Silver %	29.5	32.0	20.2	28.9	36.9	31.88	30.83
Concentrate Produced (t)		67,386	31,034	4,182	34,585	53,498	123,299	190,685
Grade	– Copper %	25.99	25.98	26.28	27.56	27.79	27.22	26.78
	– Gold (g/t)	1.1	0.93	1.53	1.11	0.92	1.00	1.05
	– Silver (g/t)	18.1	16.8	25.87	17.34	16.02	16.92	17.33

Apart from the poor December quarter, resulting from a pit wall failure, the project performed well during the year. Mill throughput, copper recovery, concentrate production and grade all improved each quarter. In particular, during the June 2001 quarter, throughput, recovery and tonnes and grade of concentrate produced were the highest achieved since the commencement of mining in March 1999.

On 7 September 2000 there was a failure of part of the west wall of the Highway pit, which destroyed a section of the main haul road. Mining activities were suspended until the failure was stabilised. Mining of ore recommenced on 26 October 2000. Access to the pit was maintained throughout via the ramp to the Reward pit. The main Highway ramp was re-established during January 2001 after a cut back of part of the west wall.

As a result of the failure a two stage mining strategy was developed to minimise any further disruption to concentrate production. Stage 1, which was completed on 20 May 2001 involved the mining of the northern and eastern portions of the ore body down to 1125mRL and resulted in a stockpile of approximately 270,000 tonnes grading 6.5% copper, sufficient to maintain mill feed for over four months. Stage 2 is a cut back of the lower section of the failed portion of the west wall to allow access to the remainder of the orebody. The cut back is on schedule for completion during August 2001 and mining of the remainder of the orebody is scheduled for completion by the end of November 2001. A stockpile sufficient to maintain mill production to March 2002 should have been established with the completion of Stage 2.

Rehabilitation of the mine site is taking place as an ongoing part of normal operations. High sulphide waste from the Highway mine is currently being used to backfill the Reward pit and oxide material from the upper levels of the pits is being used to cap the waste dumps prior to topsoiling and seeding.

During December a new regrind mill was installed and commissioned. This had an immediate and positive impact on the performance of the Thalanga mill. The regrind mill has significantly reduced the recirculating loads to the grinding circuit and allowed mill throughput to be increased by approximately 10%. Concentrate grade has increased by approximately 7% and copper recovery by 1.5%. Pay back of the mill was achieved after two months of operation.

The project is scheduled to produce 303,000 tonnes of concentrate (Surfboard's share 90,000 tonnes) grading 27.1% copper from 1.66 million tonnes of ore grading 5.35% copper. Total production of copper metal in concentrates is expected to be 82,000 tonnes. This is approximately 20% higher than predicted in the original feasibility study.

Marketing and Finance

The Company is marketing its own share of concentrate and has entered into sales contracts for the majority of its share of production from the Highway project. The Highway ore produces a very clean concentrate, which is readily accepted in the market.

Sales revenue of $20.9 million from the sale of 39,029 tonnes of concentrate was recorded for the year. The project generated an operating profit before depreciation and amortisation of $10.8 million and a net profit of $4.1 million for the year.

The average cash cost of production for the year was A$0.29/lb of payable copper. Selling expenses were A$0.17/lb of payable copper, and amortisation and depreciation costs were A$0.30/lb of payable copper.

The average cash cost of production for the project to date has been $0.36/lb of payable copper, selling expenses $0.15/lb of payable copper and amortisation and depreciation costs of $0.30/lb of payable copper.

NM Rothschild and Sons (Australia) Limited provided the Company with a $7.5 million revolving corporate facility in 1999 to assist with the financing of project development capital costs. As at June 2001 the loan had been reduced to $1.25 million. It is scheduled to be repaid in full by September 2001.

Ore Reserves and Mineral Resources

At the end of June 2001 resource estimates from the block model show that at a 1% copper cut off grade, the remaining measured, indicated and inferred resources in the Highway primary deposit are 960,000 tonnes grading 4.8% copper. Remaining ore reserves as at 30 June 2001 are estimated at 581,000 tonnes grading 5.5% copper.

Reserve figures for the Highway deposit are summarised in Table 2 and resource figures in Table 4.

Table 2

MT WINDSOR JOINT VENTURE HIGHWAY PROJECT – ORE RESERVES AS AT 30 JUNE 2001

Reserve	Cut-off Grade	Status	Tonnes	Grade Cu %	Contained Cu Tonnes
Highway In-situ	1% Cu	Probable	421,000	5.3	22,300
Highway Stockpiles	1% Cu	Proved	154,000	5.9	9,100
Thalanga Stockpiles	1% Cu	Proved	6,000	5.9	350
Total Reserves			581,000	5.5	31,750

Notes

i) Probable reserves estimation method – block model, indicator kriged.

ii) Stockpiles estimation method – survey and grade control data.

iii) Reserves rounded to nearest 1000 tonnes

iv) Grades rounded to 1 decimal place

This reserve information has been compiled by Mr N Valk of Thalanga Copper Mines Pty Ltd who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Thalanga Copper Mines Pty Ltd has consented in writing to the information being included in the form and context in which it appears.

REWARD DEEPS AND CONVICTION COPPER MINE (Surfboard 30%, TCM 70%)

In July 2000 the Joint Venture committed to undertake a full feasibility study regarding development of the Reward Deeps and Conviction deposits by underground mining methods. A 24-hole diamond drilling programme to delineate the extent and grade of the mineralisation was completed at the end of August 2000. The feasibility study was completed in early March 2001 and concluded that the project could be implemented to generate a significant cash surplus.

The project is based on mining an ore reserve of 887,000 tonnes @ 4.74% copper from the Upper Reward Deeps and Conviction deposits over a 19 month period commencing in November 2001.

Processing of the ore at the Thalanga mill is scheduled to commence in late March 2002, after treatment of ore from the Highway mine is completed. The project is expected to produce 143,000 tonnes of copper concentrate grading 27% copper with processing to be completed in May 2003.

The Manager approved the project in March 2001. Following the completion of its own due diligence the Company elected to participate in the underground mine in June 2001. The Company's share of development costs for the mine is budgeted at $3 million. The project is expected to generate an EBITDA to Surfboard of approximately $7.5 million and a net cash surplus of $4.2 million, assuming a copper price of US$1650/t and an A$:US$ exchange rate of 0.53.

The project is considered to have significant upside with the potential to generate additional cash flow from other deposits that may be accessed once the underground mine is developed. These deposits include North Reward, Lower Reward Deeps, the southern and northern extensions of the Highway deposit and a lens of high grade mineralisation on the western edge of the Reward massive sulphide pipe.

Construction of the main portal at 1220mRL and the first section of the decline commenced on 20 March. By late August the decline had advanced nearly 700 metres and the return ventilation portal and a second access portal had been established at 1150mRL.

A summary of ore reserves is presented in Table 3 and resource figures in Table 4.

Table 3

MT WINDSOR JOINT VENTURE REWARD DEEPS & CONVICTION – ORE RESERVES AS AT 30 JUNE 2001

Reserve	Cut-off Grade	Status	Tonnes	Grade Cu %	Contained Cu Tonnes
Upper Reward Deeps	3% Cu	Proved	290,000	4.5	13,000
Upper Reward Deeps	3% Cu	Probable	315,000	4.2	13,200
Conviction	4% Cu	Proved	25,000	5.2	1,300
Conviction	4% Cu	Probable	257,000	5.4	13,900
Total Reserves			887,000	4.7	41,700

Notes

i) Reserve estimates are supported by appropriate mine design studies and economic analysis.

ii) Reserves rounded to nearest 1000 tonnes.

iii) Grades rounded to 1 decimal place.

This reserve information has been compiled by Mr N Valk of Thalanga Copper Mines Pty Ltd who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Thalanga Copper Mines Pty Ltd has consented in writing to the information being included in the form and context in which it appears.

EXPLORATION (Surfboard 30%, TCM 70%)

The major exploration work for the year was the diamond drilling programme carried out during July and August 2000 to delineate the Reward Deeps and Conviction deposits. Planned exploration of lower priority targets was deferred following the pit wall failure in September 2000.

Exploration recommenced during May 2001 with a drilling programme at the Acquittal prospect where two holes drilled during 1998 had intersected barium and gold mineralisation within altered volcanics. The work was rewarded by the discovery of semi massive sulphide mineralisation in the fourth hole drilled. This hole (AQRC0004) intersected 15.3 metres of semi massive sulphide from 297m to 312.3m down hole, including several metres containing sphalerite and galena with minor chalcopyrite. The mineralised section from 304m to 312.3m assayed 8.3m @ 7.0% Zn, 2.1% Pb, 0.3% Cu, 40g/t Ag and 1 g/t Au. The entire sulphide intersection is anomalous in gold and assayed 15.3m @ 0.84g/t Au.

Drilling was temporarily halted to allow for surveying of holes with down-hole electro-magnetics to assist in targeting additional holes. The survey recorded an in hole response at the mineralised position and a weak build up towards the end of the hole. Drilling is scheduled to recommence at the beginning of September 2001.

All four holes intersected highly altered volcanic rocks along the same controlling structure as the Highway, Reward and Conviction deposits. The intersection at Acquittal is approximately 400m south west of Highway and confirms the potential of this area to host further massive sulphide deposits.

A summary of resources within the Mt Windsor project area as at the end of June 2001 is presented in Table 4, which also includes updated resource estimates for the Highway, Reward Deeps and Conviction projects. It should be noted that the resources modified to produce the reserve figures for Highway, Reward Deeps and Conviction presented in Tables 2 and 3 are included in the resource figures in Table 4.

Table 4

MT WINDSOR JOINT VENTURE MINERAL RESOURCES AS AT 30 JUNE 2001

Resource	Cut-off Grade	Status	Tonnes	Cu %	Au g/t
Highway Stockpiles	1% Cu	Measured	160,000	6.2	0.9
Highway	1% Cu	Indicated	620,000	5.3	0.9
	1% Cu	Inferred	180,000	1.8	0.6
Total Highway	1% Cu		960,000	4.8	0.8
Conviction	3% Cu	Measured	30,000	6.0	0.7
	3% Cu	Indicated	330,000	6.0	0.8
	3% Cu	Inferred	100,000	5.2	0.7
Total Conviction	3% Cu		460,000	5.8	0.8
Upper Reward Deeps	3% Cu	Measured	340,000	6.2	0.8
	3% Cu	Indicated	230,000	5.4	0.9
	3% Cu	Inferred	10,000	5.5	0.8
Total Upper Reward Deeps	3% Cu		580,000	5.8	0.8
Lower Reward Deeps	3% Cu	Measured	40,000	4.8	0.8
	3% Cu	Indicated	90,000	4.2	0.8
	3% Cu	Inferred	10,000	4.6	0.5
Total Lower Reward Deeps	3% Cu		130,000	4.4	0.8
North Reward	2% Cu	Inferred	460,000	3.8	0.7
Total Measured			570,000	6.1	0.8
Total Indicated			1,270,000	5.4	0.9
Total Inferred			760,000	3.5	0.7
Grand Total			2,600,000	5.0	0.8

Notes

i) Highway stockpiles estimation method – survey and grade control data.

ii) Highway, Conviction, Upper & Lower Reward Deeps estimation method – block model, indicator kriged.

iii) North Reward estimation method – block model, inverse distance squared.

iv) Resources rounded to nearest 10,000 tonnes.

v) Grades rounded to 1 decimal place.

vi) Highway, Conviction and Upper Reward Deeps resources **include** resources modified to produce ore reserves in Tables 2 & 3.

The resource information on the Highway deposit has been compiled by Mr G Phillips of Thalanga Copper Mines Pty Ltd who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Thalanga Copper Mines Pty Ltd has consented in writing to the information being included in the form and context in which it appears.

The resource information on the Reward Deeps and Conviction deposits has been compiled by Mr A van der Heyden of Hellman and Schofield Pty Ltd who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Hellman and Schofield Pty Ltd has consented in writing to the information being included in the form and context in which it appears.

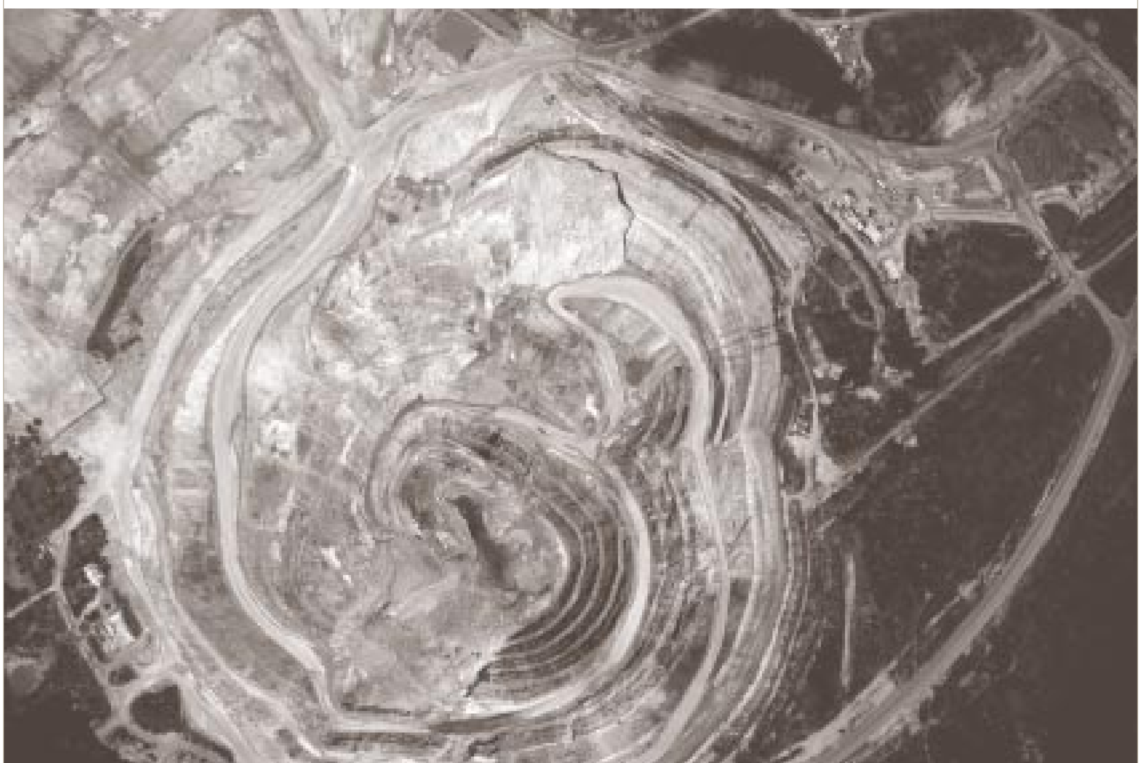
FRESHWATER PROJECT
(Surfboard – Sliding Scale Production Royalty, Homestake Mining Company ("Homestake"), 100%)

The Freshwater project is located adjacent to and to the east of the Plutonic Gold Mine located approximately 180km north east of Meekatharra in Western Australia. The project is owned and operated by Homestake. Surfboard holds a sliding scale royalty based on grade, tonnage and type of ore milled on all production from the Freshwater leases.

Royalty and Production

Within the Freshwater tenements several small open pit gold mines have been developed over the past few years including Salmon, Perch, Trout, Redfin, Bream, Catfish and Area 4. Drilling has also been successful in outlining significant underground reserves at Plutonic East and small open pit resources at Callop, Dogfish and Piranha. Most of the open pit reserves have now been mined and development of the underground resources at Plutonic East is being planned. Ore is trucked to the Plutonic mine site where it is stockpiled prior to treatment.

Royalties totalling $374,638, equivalent to $22.38 per ounce of gold produced, were received during the year ended 30 June 2001. The royalties received are based on 215,337 tonnes of ore with an average grade of 2.5g/t gold being processed through the Plutonic mill for the production of 16,743 ounces of gold. Mill feed was mainly drawn from stockpiles of ore from Bream, Redfin, Area 4, Salmon and Perch.



Royalty receipts, from November 1996 when the royalty was first established, to 30 June 2001 amounts to $2.11 million. Gold ore treated during this period has been 3.38 million tonnes at an average grade of 2.01g/t gold for the recovery of 204,782 ounces. The royalty has averaged $10.30 per ounce of gold produced.

Production figures for the Freshwater project are summarised in the Table 5.

Table 5
FRESHWATER PROJECT
– PRODUCTION STATISTICS
1996 – 2001

	2000/01	1999/00	1998/99	1997/98	1996/97
MINING					
Ore Mined (t)	215,337	270,624	419,356	735,249	1,444,891
Total Excavated (bcm)	2,572,981	1,522,172	1,739,189	1,709,506	6,456,308
TREATMENT					
Ore Milled (t)	215,337	727,591	551,904	1,202,225	701,545
Head Grade (g/t Au)	2.50	2.01	1.79	1.97	2.05
Gold Produced (oz)	16,743	41,321	29,481	71,758	42,526
Royalty to Surfboard ($)	374,638	537,618	354,687	545,437	270,525

Reserves and Resources
Homestake has advised that as at 31 December 2000 the Freshwater ore reserves amounted to 1.83 million tonnes grading 2.2g/t gold. Of these reserves 0.39 million tonnes grading 6.4g/t gold represent the portion of the Plutonic East underground reserves within the Freshwater tenements. The remaining 1.45 million tonnes represent open pit and stockpiled reserves from Bream, Catfish, Perch and Salmon.

In addition to these reserves, Freshwater mineral resources as at 31 December 2000 amount to approximately 665,000 tonnes grading 3.9 g/t gold.

Ore reserves and mineral resources are summarised in the Tables 6 and 7. In Table 7 Measured and Indicated Resources are exclusive of those Mineral Resources modified to produce the Ore Reserves.

Table 6
FRESHWATER PROJECT ORE RESERVES
AS AT 31 DECEMBER 2000

Location	Category	Tonnes	Grade g/t Au	Contained Ounces
Bream Pit	Proved	43,000	2.4	3,200
	Probable	1,000	2.8	100
Catfish Pit	Proved	188,000	2.5	15,100
Perch Pit	Proved	105,000	2.2	7,600
Total Pit		337,000	2.4	26,000
Perch Stockpile	Proved	538,000	0.7	12,100
Salmon Stockpile	Proved	486,000	0.7	10,900
Bream Stockpile	Proved	87,000	0.9	2,400
Total Stockpiles		1,111,000	0.7	25,400
Total Open Pit		1,448,000	1.1	51,400
Plutonic East Underground	Probable	385,000	6.4	79,200
Total Reserves		1,833,000	2.2	130,600

Table 7
FRESHWATER PROJECT MINERAL RESOURCES
AS AT 31 DECEMBER 2000

Location	Category	Tonnes	Grade g/t Au	Contained Ounces
Area 4 Deposit	Measured	27,000	3.2	2,800
Bream Deposit	Measured	63,000	1.6	3,300
	Indicated	2,000	1.3	100
Catfish Deposit	Measured	275,000	1.8	15,800
Total Open Pit		367,000	1.9	22,000
Plutonic East Underground	Indicated	269,000	6.6	57,000
	Inferred	29,000	5.0	4,700
Total Underground		298,000	6.4	61,700
Total Resources		665,000	3.9	83,700

Notes

i) Measured and Indicated Resources are exclusive of those Mineral Resources modified to produce the ore reserves.
ii) Mineral Resource estimates were completed using Inverse distance block modelling
iii) Open pit Resources and Reserves are reported at a lower cut-off grade of 0.9g/t Au.
iv) Underground Resources and Reserves are reported at a lower cut-off of 3.0g/t Au.
v) Underground Reserve estimates are supported by appropriate mine design studies and economic analyses.
vi) Stockpile tonnages are based on surveyed volume measurements and appropriate bulk density estimates. Assigned grades are based on grade control estimates.
vii) Reserves and resources rounded to nearest 1000 tonnes.
viii) Grade rounded to 1 decimal place.

This reserve and resource statement has been prepared by Mr Maurice Rowley of Homestake Gold of Australia Limited who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Homestake Gold of Australia Limited has consented in writing to the information being included in the form and context in which it appears.

Development and Exploration

During the year development drilling was undertaken at several projects, which have potential for the development of small open pits including Catfish, Dogfish, Callop, Piranha, Barramundi and Pigeon to provide data for mine design. Pre-stripping of waste commenced at Catfish late in the year in preparation for mining of ore during 2001/2002. The Callop, Dogfish and Piranha deposits are expected to be mined during the coming year.

Further evaluation work was also carried out at Plutonic East however, Homestake has yet to formally announce the development of the underground mine.

Exploration work undertaken during the year included further deep diamond drilling to investigate the greenstone beneath overthrust granite and to test down dip of the mineralisation at Barramundi. Encouraging results were reported from a drilling programme to test for the continuation of the Piranha mineralisation.

OTHER EXPLORATION PROJECTS

In addition to the Mt Windsor Joint Venture and the Freshwater project, the Company holds interests in several exploration projects in Western Australia and the Northern Territory.

At Red Hill, approximately 4km north east of the Kanowna Belle Gold Mine, the Company holds a 4% gross revenue royalty on all production after the first 85,000 ounces of gold produced from the Red Hill mining lease M27/57. Delta Gold Limited owns and manages the project. Gold mineralisation at Red Hill occurs in quartz veins within a porphyry host and previous exploration has demonstrated the potential of the property to host a large tonnage low grade gold deposit.

During the year Delta carried out further drilling and announced an initial resource estimate at Red Hill. Based on a 1g/t gold cut off the Red Hill deposit to 100 metres depth is reported as an indicated and inferred resource of 5.7 million tonnes grading 2.1g/t gold, containing approximately 400,000 ounces of gold. Delta has not advised what portion of the deposit lies within M27/57.

Towards the end of the year Delta extracted a 350,000 tonne bulk sample from a trial mining pit within M27/57. The bulk sample was trucked to Goldfields Limited's Paddington treatment plant for toll milling. Initial grade reconciliation is reported to be good and to reflect the average 1.6g/t gold grade defined in the original resource estimate. The trial pit has also been successful in providing drill and blast, geotechnical and other technical information.
Delta has reported that a decision on whether to proceed with a feasibility study will be made during the September 2001 quarter following the receipt of results from heap leach test work.

In the Peak Hill district of Western Australia the Company holds tenements over the **Wembley Project** located approximately 60km south east of the Fortnum Gold Mine. The Durack gold deposit (measured, indicated and inferred resource of 557,000 tonnes grading 2.18g/t gold for 39,000 contained ounces) is located within the Wembley project area.

During October 2000 the Company granted an option to purchase the project to Perilya Limited. Perilya was interested in locating additional resources for its Fortnum operation. Exploration drilling by Perilya generated several significant targets, however, follow up drilling failed to prove continuity of mineralisation and did not increase the known resource base. Perilya withdrew from the agreement in June 2001.

At **Thaduna** the Company holds tenements over the old Thaduna and Green Dragon copper mines located approximately 170km north east of Meekatharra in Western Australia. The Company considers the stockpiles and tailings associated with the Thaduna mine represent potential feed to an operation that may be established at the Horseshoe Lights Mine to process low grade copper resources. The Company manages the Horseshoe Mine Partnership, which owns the Horseshoe Lights Mine located approximately 120km north of Meekatharra.

In the **Tennant Creek** area in the Northern Territory the Company holds equity in several tenements, the most prospective group being referred to as the **Mt Samuel** prospect approximately 6km south of Tennant Creek. Access to the Mt Samuel property is currently not available due to the presence of an Aboriginal sacred site.

In the **Wiluna District** of Western Australia the Company holds a 10% free carried interest to a decision to mine or expenditure of $2 million in the **Abercromby Well Joint Venture** with Outokumpu Exploration Australia Pty Ltd. During the year Acclaim Uranium withdrew from an option agreement it held over the shallow calcrete uranium deposits in the joint venture tenement. No field activities were undertaken on the property during the year.

FINANCIAL SERVICES TECHNOLOGY PLATFORM

Significant efforts were directed in the first half of the year on developing the financial services technology platform acquired by the Company in May 2000, culminating in the completion of share trading related and content delivery components of the platform.

Unfortunately, due to cash availability and market conditions in the technology sector it was necessary for all major overheads associated with this business, including development activities, to be wound down. Exploitation of the business therefore became difficult.

Whilst management has pursued opportunities during the second half of the year in relation to various components of the platform, the Company has been conservative in its expenditure in this area of the business.

OTHER TECHNOLOGY INVESTMENTS

The Company disposed of the majority of its technology investments during the financial year generating a profit of $1.28 million. The remaining investments have an aggregate cost base of $1.83 million, and have been provided for in full during the last 2 financial years.

TENEMENT SCHEDULE AS AT 11 SEPTEMBER 2001

Prospect	Tenement	Interest
WESTERN AUSTRALIA		
Horseshoe Mine	L52/42-45	4% (2)
	L52/66	4% (2)
	M52/743	4% (2)
	M52/744	4% (1)(2)
Thaduna	M52/165	100% (3)
	M52/180	100% (3)
Wembley	M52/202-203	100% (4)
	M52/587	100% (1)(4)
	P52/649-653	100% (4)
Horseshoe South	M52/558	100% (1)
	M52/585	100% (1)
Abercromby Well JV	M53/336	10% (5)
Red Hill	M27/57	(6)
Horseshoe South West	M52/651	4% (1)(2)
Freshwater	M52/277-281	(7)
	M52/285	(7)
	M52/295-296	(7)
	M52/299-301	(7)
	M52/305-306	(7)
	M52/368-370	(7)

Prospect	Tenement	Interest
QUEENSLAND		
Mt Windsor JV	ML 1571	30% (8)
	ML 1734	30% (8)
	ML 1739	30% (8)
	ML 10028	30% (8)
	EPM 3380	30% (8)
	ML 1758	30% (8)
NORTHERN TERRITORY		
Mt Samuel	MLC 49	50% (9)(12)
	MLC 527	100% (12)
	MLC 599	85% (10)(12)
	MLC 617	85% (10)(12)
	MLC 678-681	85%(10)(1)
	MCC 174	100% (11)
	MCC 212	85% (10)(12)
	MCC 287-288	100% (11)
	MCC 308	85% (10)
	MCC 344	100% (12)
The Trump	MCC 316-317	100% (12)
	MCC 340-341	100% (12)
True Blue	MCC 342	100% (12)
	MLC 619	85% (10)(12)
Aga Khan	MLC 522	100% (12)
Black Cat	MCC 338-339	100% (12)

Notes
1) Under application.
2) Subject to Horseshoe Mine Partnership.
3) Subject to 5% Net Smelter Return royalty with Trans-Global Resources NL.
4) Subject to 1% Net Smelter Return royalty with Lac Minerals (Australia) NL.
5) Subject to joint venture agreements with Outokumpu Mining Australia Pty Ltd.
6) Royalty interest with Delta Gold NL.
7) Royalty interest with Homestake Mining Company Limited.
8) Subject to joint venture agreement with Thalanga Copper Mines Pty Limited.
9) Subject to joint venture agreement with North Mining Ltd.
10) Subject to joint venture agreement with W. & L.D.C. Appel.
11) Subject to option agreement with J.L. Love & G.P. Hamilton.
12) Subject to 2% Net Profit Royalty with Lytton Nominees Pty Ltd and Moublon Pty Ltd.

DIRECTORS' REPORT

Your directors present their report with respect to the results of Surfboard Limited (the "Company") and Surfboard Limited and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2001 (the "Balance Date") and the state of affairs of the Company and Consolidated Entity at Balance Date.

1. DIRECTORS

The names of the directors of the Company in office during the financial year and until the date of this report are:

P J Bankcard	L D Kohmascher
D F Hagans	H R Moser
P L Brown	A Rankine-Wilson *(resigned – 8 September 2000)*

2. DIRECTORS' MEETINGS

During the year the Company held (6) meetings of directors, (3) audit committee meetings, (17) compliance committee meetings and (9) seal committee meetings. The attendances of the directors at these meetings were:

	BOARD OF DIRECTORS		AUDIT COMMITTEE	
	Meetings Attended	Maximum Possible	Meetings Attended	Maximum Possible
P J Bankcard	6	6	3	3
D F Hagans	6	6	–	–
P L Brown	6	6	3	3
A Rankine-Wilson	1	1	–	–
L D Kohmascher	5	6	–	–
H R Moser	2	6	–	–

	COMPLIANCE COMMITTEE		SEAL COMMITTEE	
	Meetings Attended	Maximum Possible	Meetings Attended	Maximum Possible
P J Bankcard	17	17	7	7
D F Hagans	17	17	9	9
P L Brown	–	–	–	–
A Rankine-Wilson	–	–	2	2
L D Kohmascher	–	–	–	–
H R Moser	–	–	–	–

The Company has an audit committee of the board of directors. As at the date of this report the members of the audit committee are Mr P J Bankcard, Mr P L Brown and Ms J E McCormack (Secretary). Other members of management attend meetings of the audit committee at the invitation of the Chairman. The details of the functions and membership of the other committees of the board are included in the Statement of Corporate Governance Practices.

3. PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the course of the financial year were mineral exploration and production, mine development and investment in technology and financial services.

4. OPERATING RESULTS

The consolidated net operating loss of the Consolidated Entity after providing for income tax amounted to $12,887,055 (2000: loss $19,271,429).

The Consolidated Entity's operating loss after tax is largely attributable to the write off of intangibles arising on the acquisition of Surfboard Securities Limited ("SSL") and costs associated with the development of the SSL business.

5. DIVIDENDS

Since the end of the previous financial year, no amount has been paid or declared by the Company by way of a dividend.

6. REVIEW OF OPERATIONS

A Review of Operations is set out on pages 2 to 12 of this Annual Report. This, with the Chairman's Report and the sections headed "Significant Changes in State of Affairs" and "Events Subsequent to Balance Date", provides a review of operations of the Consolidated Entity during the period.

7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Shareholders' equity decreased $12,887,055 or 42.2% during the financial year from $30,551,221 to $17,664,166. Factors contributing to this decrease include:

i) The amortisation and write off of intellectual property and other intangibles associated with the acquisition of Surfboard Securities Limited ('SSL') totalling $7,639,627.
ii) Costs associated with the development of the SSL platform and business totalling $6,098,082.
iii) The profit from operating activities (excluding the amortisation and write-off of intangibles and costs associated with the development of the SSL platform and business referred to in points (i) and (ii) above) of $850,654.

8. SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events occurred subsequent to Balance Date:

i) On 20 and 21 September 2001, the Company initiated a trading halt in its shares.
ii) On 24 September 2001, the Company lifted its halt and announced to the market:
    a. That it was in discussions with Senetas Corporation Limited and other companies regarding possible merger or ventures, but that such discussions were on-going and incomplete.
    b. That during the trading halt it had received a notice from ANZ Nominees Limited regarding the nominations of Anthony Bohnenn and Anthony Simari as Directors at the next general meeting.

    The notice regarding directors was submitted to the Company's counsel for review.
iii) On 22 September 2001, Gary Douglas was appointed as an Additional Company Secretary, and as Alternate Director to Philip Brown.

There is no financial effect of these events as at Balance Date.

The directors are not aware of any other matters or circumstances at the date of this report, other than those referred to in this report or the consolidated accounts, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Consolidated Entity in subsequent financial years.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company expects to return to profitability in the 2001/02 financial year. The coming year should see the completion of mining activities at Highway, the development of the Reward Deeps/Conviction underground mine and the commencement of production at the Reward Deeps/Conviction mine.

In addition, the Company will continue to pursue opportunities in regard to components of its financial services technology platform and other business and corporate initiatives.

10. ENVIRONMENTAL REGULATION AND PERFORMANCE

The mining and exploration tenements held by the Consolidated Entity contain environmental requirements and conditions that the entities must comply with in the course of normal operations. These conditions and regulations cover the management of the storage of hazardous materials and rehabilitation of mine sites. There have been no significant known breaches of the Consolidated Entity's environmental obligations.

11. INFORMATION ON DIRECTORS

photograph to be supplied and inserted

P J Biancardi *(Non-Executive Chairman)*

Mr Bankcard (aged 51) has a Bachelor of Economics from the University of Sydney. He has significant experience in accounting and taxation professional services. Mr Bankcard is a former Chairman of Coopers and Lybrand Australia, Asia Pacific and Indo-China boards and managed the PricwaterhouseCoopers Business Development and National Taxation Service. He was formerly the Chairman of the National Tax Panel of the Institute of Chartered Accountants in Australia.

photograph to be supplied and inserted

D F Hagans *(Managing Director)*

Mr Hagans (aged 54) has a Bachelor of Arts and Doctorate in Jurisprudence from the University of Texas. He has 30 years experience in professional services management, communications and media. His previous positions include Executive Chairman of Austar Limited and XYZ Entertainment Pty Ltd, Chief Executive of Optus Communications Multi-Media Limited, Chairman of ABA/Net (the American Bar Association On-Line Service Network) and the Legislative Director to the current Chairman of the US Senate Banking Committee.

photograph to be supplied and inserted

P L Brown *(Non-Executive Director)*

Mr Brown (aged 52) has a Bachelor of Commerce (Honours) from the University of New South Wales and has significant experience in the investment banking and financial services industries. Mr Brown is Chairman of the private Equitas Group and a Non-Executive Director of Challenger International Limited. Mr Brown formerly worked with Dominguez Barry Samuel Montagu, Rothschild Australia Limited and Schroders Australia Limited. He commenced his merchant banking career in London with Charterhouse Japhet Limited.

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L D Kohmascher *(Non-Executive Director)*

Mr Kohmascher (aged 41) is a substantial shareholder of Surfboard and has been a Non-Executive Director of the Company since 1996. He is also a Non-Executive Director of ECAT Development Capital Limited. Mr Kohmascher has extensive international investment experience, in particular in the technology area, and is experienced in raising capital from international equity markets. He is a German businessman who is an active investor in Australian companies and is Managing Director of a family business based in Germany.

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H R Moser *(Non-Executive Director)*

Mr Moser (aged 57) is a resident of Switzerland with 20 years experience in the Swiss banking industry. He has a Bachelor of Commerce from the University of Basel in Switzerland and is a Director of a number of Australian publicly listed companies, including Access I Limited (formerly Kilkenny Gold NL), Pulsat Communications Limited (formerly Rhodes Mining NL), Union Mining NL, Leo Shield Exploration NL and Spinifex Gold NL. Mr Moser manages a large European investment fund and has been an active investor in Australian companies for many years, more recently with an emphasis on high technology and internet companies.

photograph to be supplied and inserted

A Rankine-Wilson *(Former Managing Director)*

Mr Rankine-Wilson (aged 39) is the former Managing Director of Surfboard. He has been Director of Surfboard since 1990 and resigned as a Director of the Company on 8 September 2000. Mr Rankine-Wilson is currently the Managing Director of ECAT Development Capital Limited and Questus Limited. He has significant experience in the finance and investment industries, including four years with the investment department of AMP Society and three years with stockbroking firm AC Goode and Co Limited.

12. DIRECTORS' INTERESTS

At the date of this report the direct or indirect interest of each director of the Company in the issued securities of the Company is:

Director	Ordinary Shares	80c Options (i)	84c Options (ii)	Preference Shares (iii)
P J Bankcard (iv)	193,759	97,292	17,335	914,972
D F Hagans (iv)	5,681,683	2,852,931	508,328	26,830,168
P L Brown (iv)	3,026,121	1,519,500	270,741	14,290,016
L D Kohmascher	6,695,000	3,347,500	3,000,000	–
H R Moser	3,000,000	1,500,000	–	–

(i) These options are listed, unless subject to escrow, and are exercisable at $0.80 each on or before 31 December 2001.

(ii) These options are unlisted and are exercisable at $0.84 each on or before 30 June 2002.

(iii) The Preference Shares are convertible on a one-for-one basis into ordinary shares at 20 cents each provided that the Company's ordinary share price reaches pre-determined trigger prices between $1.00 and $1.50 over sustained periods prior to 30 April 2003. Any preference shares not converted by this time are redeemable by the Company at their issue price of 0.001 cent per share.

(iv) These security holdings were acquired pursuant to the acquisition of SSL. As such a number of the securities are subject to escrow, restricting trading in those securities until 19 May 2002 for Mr Brown and Mr Bankcard and 16 October 2002 for Mr Hagans. Securities held by directors that are subject to escrow are summarised below:

Director	Ordinary Shares	80c Options	84c Options	Preference Shares (a)
PJ Bankcard	17,680	97,292	17,335	914,972
DF Hagans	5,681,683	2,852,931	508,328	26,830,168
PL Brown	1,526,121	1,519,500	270,741	14,290,016

a) Upon conversion of the preference shares into ordinary shares only 75% of the ordinary shares issued will remain subject to escrow. The remaining 25% of the ordinary shares issued will be fully tradeable.

13. SHARE OPTIONS

Unissued shares

As at the date of this report, there were 49,662,682 unissued ordinary shares under options as follows:

- 7,144,615 options to take up one ordinary share in the Company at an exercise price of $0.84. The options are unlisted and expire on 30 June 2002.
- 35,195,412 options to take up one ordinary share in the Company at an exercise price of $0.80. The options are listed and expire on 31 December 2001.
- 7,322,655 options to take up one ordinary share in the Company at an exercise price of $0.80. The options are subject to escrow and expire on 31 December 2001.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Also on issue at the date of this report are 100,000,000 convertible redeemable preference shares. The preference shares are convertible into ordinary shares on a one-for-one basis for the payment of 20 cents on or before 30 April 2003, provided that the Company's ordinary share price trades at pre-determined trigger prices between $1.00 and $1.50 over sustained period prior to 30 April 2003 and if not converted by that time are redeemable by the Company at their issue price of 0.001 cent per share.

Preference shareholders do not have any right, by virtue of the preference share, to participate in any share issue of the Company.

Shares issued as a result of the exercise of options

No options have been exercised during or since the end of the financial year.

No preference shares were eligible for conversion into ordinary fully paid shares during or since the end of the financial year.

14. INDEMNIFICATION AND INSURANCE

The Consolidated Entity has paid premiums in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies which cover all directors and officers of the Consolidated Entity. The policy conditions preclude the Consolidated Entity from any detailed disclosures.

15. DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The remuneration committee of the board of directors is responsible for determining and reviewing compensation arrangements for the managing director, executive directors and the executive team. The remuneration committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Consolidated Entity.

To assist in achieving these objectives, the remuneration committee links the nature and amount of executive directors' and officers' emoluments to their individual performance and the Consolidated Entity's financial and operational performance. The criteria considered by the remuneration committee include those relating to profitability, cash flow, share price growth and individual performance.

The executive directors review the emoluments of non-executive directors and where appropriate, recommend changes for approval by shareholders.

Details of the nature and amount of each element of the emolument of each director of the Company and each of the five most highly paid executive officers of the Company and of the Consolidated Entity paid or payable by the Consolidated Entity during the financial year are as follows.

Emoluments of Directors of the Company

ANNUAL EMOLUMENTS

	Base Fee/Salary $	Ex-Gratia Payment $	Other $	Super-annuation $
A Rankine-Wilson (i)	68,335	90,000	728	5,760
L Kohmascher	23,000	–	–	126
H R Moser	23,000	–	–	40
D Hagans	240,000	–	–	–
P Bankcard	49,718	–	–	3,977
P Brown	25,411	–	–	2,033

(i) Resigned 8 September 2000.

Emoluments of the five most highly paid executive officers of the Company and of the Consolidated Entity

ANNUAL EMOLUMENTS

	Base Fee/Salary $	Bonus $	Other $	Super-annuation $
J E McCormack	126,977	–	4,258	10,511
A H Nutter	69,107	–	4,402	75,283

The terms directors and officers have been treated as mutually exclusive for the purpose of this disclosure.

The elements of emoluments have been determined on the basis of the cost to the Consolidated Entity during the financial year.

Executives are those directly accountable and responsible for the operational management and strategic direction of the Company and the Consolidated Entity.

The category 'Other' includes the value of any non-cash benefits provided.

Options granted to directors and any of the five most highly paid officers

No options were granted over unissued shares in the Company during or since the end of the financial year to any director or any of the five most highly remunerated officers of the Consolidated Entity as part of their remuneration.

Signed for and on behalf of the directors in accordance with a resolution of the board.

signature

P J Biancardi
Chairman

27 September 2001
Sydney, New South Wales

5 STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company is responsible for the overall corporate governance of the Consolidated Entity.

Corporate governance is a term used to describe the way a board is structured and the way the directors act to ensure their responsibilities as directors are performed properly. The board keeps its own processes under review and aims to achieve best practice in matters of corporate governance.

A description of the Company's main corporate governance practices follows. Unless otherwise stated, all practices were in place throughout the year.

THE BOARD OF DIRECTORS

The board of directors is responsible for setting the strategic direction, establishing the policies and overseeing the financial position of the Consolidated Entity, and for monitoring its business and affairs on behalf of the shareholders.

The responsibility for the day-to-day operation and administration of the Consolidated Entity is delegated by the board to the managing director.

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise a majority of non-executive directors;
- the chairperson of the board should be a non-executive director;
- the board should comprise directors with relevant experience and expertise; and
- the board meets at intervals of approximately two and not more than three months or more often if necessary. The managing director and company secretary, in consultation with the chairman, ensure all directors are notified of each meeting and have available all necessary information far enough in advance of the meeting to enable them to participate in an informed discussion on all agenda items.

The composition of the board is reviewed on an ongoing basis by the chairman to ensure that the board has the appropriate mix of expertise and experience and effectively represent shareholders' interests.

Each director has the right to seek reasonable independent professional advice at the Consolidated Entity's expense. However, prior approval of the chairman is required, which will not be unreasonably withheld.

COMMITTEES OF THE BOARD

The board currently has five committees which have been established to consider particular issues and strategies in order to advise and guide the board. Committees are also established as the need arises. Board committees that operated throughout the year were:

Committee	Current Members	Responsibilities
Audit Committee	P J Bankcard *(Non-Executive)* P L Brown *(Non-Executive)* J E McCormack *(Secretary)*	To review the adequacy and effectiveness of internal controls over the Company's accounting and financial reporting systems. To provide the board with additional assurance regarding the reliability of financial information for inclusion in the financial statements. Review of external audit arrangements and findings.
Compliance Committee	P J Bankcard *(Non-Executive)* D F Hagans *(Executive)* J E McCormack *(Secretary)*	To monitor compliance issues, particularly compliance with the Stock Exchange Listing Rules. To review all public releases to the ASX of material consequence, prior to release to the market.
Seal Committee	Any 2 directors *(Executive or Non-Executive)*	To approve the application of the Company seal to documents legally binding the Company.
Remuneration Committee	P J Bankcard *(Non-Executive)* P L Brown *(Non-Executive)* L Kohmascher *(Non-Executive)*	To review remuneration packages and policies applicable to executive directors and senior executives. This includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies. The committee obtains independent advice on the appropriateness of remuneration packages where it considers it necessary to do so.
Transaction Review Committee (i)	P J Bankcard *(Non-Executive)* D F Hagans *(Executive)* P L Brown *(Non-Executive)*	To review major transactions before they are submitted to the board for approval. To provide ad hoc advice on transactions and business matters.

(i) Established on 21 July 2000

INTERNAL CONTROLS AND RISK MANAGEMENT

The board is responsible for identifying areas of significant business risk and ensuring that management's objectives and activities are aligned with the expectations and risk management policies identified by the board. In addition to the establishment of the committees referred to above, the following controls assist in achieving these objectives:

- Financial Reporting – An annual budget is approved by directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly.
- Quality and Integrity of Personnel – All personnel are advised of the Company's policies and practices with performance appraisals taking place on an ongoing basis.
- Operational Reporting – Key areas identified and major activities are subject to regular reporting to the board.
- Continuous Disclosure – Continuous disclosure is a recurring agenda item at board meetings and is monitored and considered on a ongoing basis by the Compliance Committee.

surfboard Limited

FINANCIAL STATEMENTS + 2001

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

		Consolidated		Surfboard Limited	
		2001	2000	**2001**	2000
	Note	**$**	$	**$**	$
Sales revenue	2	**21,323,970**	14,368,566	**–**	–
Cost of sales	3(c)	**(10,492,744)**	(9,269,956)	**–**	–
Gross profit		**10,831,226**	5,098,610	**–**	–
Amortisation & depreciation of mining assets	3(a)	**(7,149,078)**	(4,127,230)	**–**	–
Net profit from mining activities		**3,682,148**	971,380	**–**	–
Other revenue from ordinary activities	2	**3,847,353**	1,815,772	**4,322,007**	1,560,435
Share of net loss of associate	3(e)	**(269,491)**	(374,444)	**–**	–
Administration costs	3(c)	**(1,981,221)**	(1,997,900)	**(1,712,203)**	(1,923,023)
Borrowing costs		**(390,296)**	(325,865)	**–**	–
Financial services technology platform costs		**(6,098,082)**	(1,756,898)	**–**	–
Other expenses from operating activities	3(b)	**(11,677,466)**	(17,603,474)	**(17,802,247)**	(19,331,464)
Loss from ordinary activities before income tax		**(12,887,055)**	(19,271,429)	**(15,192,443)**	(19,694,052)
Income tax expenses relating to ordinary activities		**–**	–	**–**	–
Loss from ordinary activities after income tax expense		**(12,887,055)**	(19,271,429)	**(15,192,443)**	(19,694,052)
Net loss attributable to members of Surfboard Ltd		**(12,887,055)**	(19,271,429)	**(15,192,443)**	(19,694,052)
Net increase/(decrease) in asset revaluation reserve		**–**	(429,645)	**–**	(40,747)
Total revenue/expenses & valuation adjustments attributable to members of Surfboard Ltd and recognised directly in equity		**–**	(429,645)	**–**	(40,747)
Total changes in equity other than those resulting from transactions with owners as owners		**(12,887,055)**	(19,701,074)	**(15,192,443)**	(19,734,799)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2001

	Note	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
CURRENT ASSETS					
Cash	18	**6,703,681**	8,849,601	**141,940**	2,583,269
Receivables	5	**2,210,463**	1,184,084	**263,773**	247,250
Inventories	6	**2,068,879**	2,119,969	**–**	–
Investments	7	**–**	1,005,801	**–**	1,005,801
Other	9	**46,116**	28,660	**33,660**	28,660
Total Current Assets		**11,029,139**	13,188,115	**439,373**	3,864,980
NON-CURRENT ASSETS					
Receivables	5	**464,578**	624,456	**1,033,685**	8,338,815
Investments	7	**–**	2,699,085	**4,581,456**	10,759,846
Property, plant and equipment	8	**1,362,038**	1,312,610	**22,282**	70,330
Deferred exploration, evaluation and development costs	10	**10,182,285**	14,325,990	**524,865**	574,300
Intangibles	11	**–**	7,639,627	**–**	–
Total Non-Current Assets		**12,008,901**	26,601,768	**6,162,288**	19,743,291
Total Assets		**23,038,040**	39,789,883	**6,601,661**	23,608,271
CURRENT LIABILITIES					
Accounts payable	12	**2,199,788**	3,635,612	**156,786**	236,070
Interest bearing liabilities	13	**1,312,797**	4,115,858	**1,250,000**	3,955,935
Provisions	14	**531,001**	369,749	**72,727**	90,808
Total Current Liabilities		**4,043,586**	8,121,219	**1,479,513**	4,282,813
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	**1,000**	91,824	**7,031,497**	6,042,364
Provisions	14	**1,329,288**	1,025,619	**584,603**	584,603
Total Non-Current Liabilities		**1,330,288**	1,117,443	**7,616,100**	6,626,967
Total Liabilities		**5,373,874**	9,238,662	**9,095,613**	10,909,780
Net Assets		**17,664,166**	30,551,221	**(2,493,952)**	12,698,491
EQUITY					
Contributed Equity	15	**33,015,617**	33,015,617	**33,015,617**	33,015,617
Reserves	16	**5,874,348**	5,874,348	**4,752,143**	4,752,143
Accumulated losses		**(21,225,799)**	(8,338,744)	**(40,261,712)**	(25,069,269)
Total Equity		**17,664,166**	30,551,221	**(2,493,952)**	12,698,491

STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
CASHFLOWS FROM OPERATING ACTIVITIES					
Receipts from product sales		**20,295,096**	14,738,751	**–**	–
Other income		**214,891**	24,129	**15,650**	6,097
Payments to suppliers and employees		**(19,345,223)**	(13,337,426)	**(1,618,666)**	(1,709,839)
Interest received		**283,877**	307,431	**7,907**	86,792
Borrowing costs		**(455,784)**	(220,513)	**–**	–
Net cash provided by/(used in) operating activities	18(b)	**992,857**	1,512,372	**(1,595,109)**	(1,616,950)
CASHFLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		**3,158,267**	1,370,663	**3,138,381**	1,353,997
Proceeds from sale of property, plant and equipment		**44,470**	200	**23,200**	200
Security deposits		**–**	(147,518)	**–**	(102,808)
Payment for exploration, evaluation & development work		**(2,697,699)**	(4,704,845)	**(11,508)**	(11,197)
Payments for property, plant and equipment		**(759,466)**	(1,393,838)	**(6,873)**	(22,793)
Loans to controlled entities within wholly owned group		**–**	–	**(7,877,213)**	(4,669,063)
Payments for investments in listed companies		**(8,777)**	(588,685)	**(1,178)**	(588,685)
Payments for investments in unlisted companies		**(90,000)**	(879,325)	**–**	(779,325)
Payments for shares bought back		**–**	(301,194)	**–**	(301,194)
Payment of loans to related corporations		**(12,998)**	(75,090)	**(12,998)**	(75,090)
Payment for acquisition of investment in associate		**–**	(1,564,870)	**–**	(1,531,611)
Payment for purchase of control entity (net of cash acquired)		**–**	(653,167)	**–**	(694,679)
Net cash (used in) investing activities		**(366,203)**	(8,937,669)	**(4,748,189)**	(7,422,248)
CASHFLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings from controlled entities within wholly owned group		**–**	–	**6,607,904**	496,342
Proceeds from borrowings		**–**	2,640,728	**–**	2,640,728
Repayment of borrowings		**(2,705,935)**	(1,200,000)	**(2,705,935)**	–
Finance lease principal repayments		**(66,639)**	(11,789)	**–**	–
Proceeds from issue of fully paid shares		**–**	7,564,173	**–**	7,564,173
Payments for capital raising expenses		**–**	(375,000)	**–**	(375,000)
Net cash provided by/(used in) financing activities		**(2,772,574)**	8,618,112	**3,901,969**	10,326,243
Net increase/(decrease) in cash held		**(2,145,920)**	1,192,815	**(2,441,329)**	1,287,045
Cash at the beginning of the financial year		**8,849,601**	7,656,786	**2,583,269**	1,296,224
Cash at the end of the financial year	18(a)	**6,703,681**	8,849,601	**141,940**	2,583,269

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following is a summary of the significant accounting policies adopted by the Consolidated Entity in the preparation of the accounts. Unless otherwise disclosed, the financial statements have been prepared in accordance with the historical cost convention.

a) PRINCIPLES OF CONSOLIDATION

The accounts of the Consolidated Entity comprise the accounts of Surfboard Limited and all of its controlled entities. Control exists where Surfboard Limited has the capacity to dominate the decision making relative to the financial and operating policies of another entity so that the other entity operates with Surfboard Limited to achieve the objectives of Surfboard Limited.

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair values of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Discount on acquisition is then eliminated by reducing proportionately the fair value of the non-monetary assets acquired. Purchased goodwill is amortised over a period of three years, being the period during which the benefits are expected to arise. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that applicable future benefits are no longer probable.

A list of controlled entities is contained in note 20 to the accounts. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

b) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they exceed their recoverable amount.

The recoverable amounts of all non-current assets have been 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 been discounted to their present values in determining recoverable amounts.

c) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

Property, plant and equipment are depreciated to their residual value at rates based upon the life of the individual asset or the life of the mine, whichever is considered shorter. Both the straight line and diminishing value methods are used and assets are depreciated over a 1 to 6 year period (2000: 1 to 6 years).

d) MINERAL EXPLORATION AND EVALUATION EXPENDITURE

Mining tenements and capitalised exploration expenditure (including acquisition costs) are stated at cost, less, where applicable, any accumulated amortisation. The carrying amount of deferred mineral exploration and evaluation expenditure is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

Costs arising from the acquisition, exploration and evaluation relating to an area of interest are carried forward provided that rights to tenure of the area of interest are current and provided further that at least one of the following conditions is met:

a) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
b) exploration and evaluation activities in the area of interest have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

e) DEVELOPMENT PROPERTIES

Development expenditure incurred by, or on behalf of, the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as “Development Properties”.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until they are reclassified as “Production Properties” following a decision to commence mining.

f) PRODUCTION PROPERTIES

Production properties represent the accumulation of all exploration, evaluation and development expenditure incurred by, or on behalf of, the entity in relation to areas of interest in which mining of a mineral resource has commenced.

Where further development expenditure is incurred in respect of a production property after the commencement of production, such expenditure is carried forward as part of the cost of that production property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Costs on production properties in which the Consolidated Entity has an interest are amortised over the life of the area of interest to which such costs relate on the production output basis.

The net carrying value of each production property is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

g) RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental costs arising annually from development and production are expensed during the production phase of operations as part of the cost of production. Rehabilitation costs in relation to the Horseshoe Mine were provided for at the time of placing the mine on care and maintenance and are reviewed and, where necessary, adjusted on an annual basis.

Restoration, rehabilitation and environmental obligations recognised include the costs of rehabilitation, plant and waste site closure and subsequent monitoring of the environment.

Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off. Changes in estimates of costs relating to producing areas are dealt with prospectively over the remaining mine life.

h) INVESTMENTS

Current investments are carried at the lower of cost and net market value except where they have been disposed of subsequent to year end where they are carried at the lower of cost and the net value realised from their sale.

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount.

All other non-current investments are carried at the lower of cost and recoverable amount.

i) REVENUE RECOGNITION

Sales revenue is recognised when title in the product has passed to the buyer, unless otherwise contracted.

Royalty revenue is recognised in the month in which the ore is processed at a treatment plant.

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

Other revenues is recognised when a right to receive it has been attained.

j) FOREIGN CURRENCIES

Transactions in foreign currencies are converted into Australian dollars at their actual conversion rates or at rates at which they are expected to be delivered into foreign exchange hedging contracts.

Foreign currency amounts receivable and payable at Balance Date have been converted into Australian dollars at their actual rates of conversion subsequent to year end or at rates at which they are expected to be delivered into foreign exchange hedging contracts.

k) EMPLOYEE ENTITLEMENTS

The amounts expected to be paid to employees for their pro-rata entitlement to annual leave are measured at their nominal amounts. No non-current employee entitlements exist at present.

The value of the employee share plan described in note 26 is not being charged as an employee entitlement expense.

l) INVENTORIES

Inventories comprise broken ore, work in progress and concentrate which are carried at the lower of cost and net realisable value. Costs represent weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including amortisation. Net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

m) CASH

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

n) INTERESTS IN JOINT VENTURE OPERATIONS

The Consolidated Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the balance sheet and profit and loss account. Details of the Consolidated Entity's interests are shown in note 19.

Where part of a joint venture interest is farmed out in consideration of the farm-in party undertaking to incur further expenditure on behalf of both the farm-in party and the entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm out continues to be carried forward without adjustment, unless under the terms of the farm out it is considered excessive based on the diluted interest retained. A provision is then made to reduce exploration expenditure to its recoverable amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

o) TRADE AND OTHER DEBTORS

Trade and other debtors are recognised and carried at the original invoice amount less a provision for any uncollectable debts. Collateral is not normally obtained and a provision for doubtful debts is recognised when collection is no longer probable. Bad debts are written off as incurred.

Receivables from controlled entities are carried at the principal amount. Interest, when charged, is recognised as income on an accruals basis.

p) TRADE AND OTHER CREDITORS

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Amounts payable to controlled entities are carried at the principal amount. Interest when charged by the lender, is recognised as an expense on an accruals basis.

q) BORROWINGS

Loans are carried at their principal amounts. Interest is charged as an expense as it accrues.

Finance lease liability is determined in accordance with the requirements of AASB 1008.

Redeemable preference shares which exhibit characteristics of liabilities are recognised as liabilities in the balance sheet. The corresponding dividends on these shares is charged as an interest expense in determining the operating profit/(loss).

r) BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.
- finance charges on leased assets.

s) LEASES

Leases are classified as either operating or finance leases based on the economic substance of their agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Leases that effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property plant and equipment or computer equipment under lease. A lease liability of equal value is also recognised.

t) INTELLECTUAL PROPERTY

Intellectual property is brought to account at cost and amortised on a straight line basis over a period of three years, being the period during which the benefits are expected to arise.

The carrying value of intellectual property is reviewed bi-annually by directors to ensure it is not in excess of its recoverable amount. Where the carrying amount exceeds its recoverable amount it is revalued to its recoverable amount with the revaluation decrement being recognised as an expense in determining the operating profit/(loss).

u) CURRENCY AND COMMODITY HEDGING

Hedging is undertaken in order to avoid or minimise possible adverse financial or cashflow effects of movements in commodity prices and exchange rates. Premiums received or costs arising upon entering into forward sale, option and other derivative contracts intended to hedge specific future production, together with subsequent realised and unrealised gains or losses, are deferred until the hedged production is delivered.

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged production is no longer expected to be produced, any previously deferred gains and losses are recognised in the profit and loss account on the date of termination.

The gross values of the underlying derivative financial instruments entered into for hedging purposes are not recognised in the financial statements.

v) EARNINGS PER SHARE

Basic earnings/(loss) per share is determined by dividing the operating profit/(loss) after tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share is determined by dividing the operating profit/(loss) after tax adjusted for the effect on earnings of potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

w) CONTRIBUTED EQUITY

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

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

x) INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss statement is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates expected to apply when those timing differences reverse.

y) COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in 2001.

	Consolidated		Surfboard Limited	
	2001	2000	**2001**	2000
	$	$	**$**	$
NOTE 2 – REVENUE FROM ORDINARY ACTIVITIES				
SALES REVENUE				
Gold	**–**	23,896	**–**	–
Silver	**–**	3,541	**–**	–
Copper	**20,764,043**	13,618,581	**–**	–
Zinc	**159,579**	183,562	**–**	–
Royalties	**400,348**	538,986	**–**	–
	21,323,970	14,368,566	**–**	–
OTHER REVENUE				
Interest received from other persons	**315,023**	307,431	**58,070**	86,792
Sundry income	**214,891**	7,635	**15,650**	6,097
Reimbursement of expenses	**114,702**	113,349	**114,702**	113,349
Proceeds on disposal of:				
Property, plant & equipment	**44,470**	200	**23,200**	200
Investments	**3,158,267**	1,370,663	**3,138,381**	1,353,997
Subunderwriting fee	**–**	16,494	**–**	–
Gain on forgiveness of loans from subsidiaries	**–**	–	**972,004**	–
	3,847,353	1,815,772	**4,322,007**	1,560,435
	25,171,323	16,184,338	**4,322,007**	1,560,435

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $

NOTE 3 – EXPENSES AND LOSSES/(GAINS)

Loss from ordinary activities before income tax includes the following expenses and losses/(gains) whose disclosure is relevant in explaining the financial performance of the entity.

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
a) Amortisation and depreciation of mining assets:				
Amortisation of deferred exploration, evaluation and development costs	**6,965,397**	3,990,765	**–**	–
Depreciation of plant and equipment	**183,681**	136,465	**–**	–
Total amortisation and depreciation of mining assets	**7,149,078**	4,127,230	**–**	–
b) Other expenses from operating activities:				
Provision for diminution of current investments	**265,809**	180,328	**265,809**	180,328
Provision for diminution of non-current investments	**1,283,135**	–	**1,552,626**	–
Provision for diminution of investments in subsidiaries	**–**	–	**3,121,451**	18,119,984
Provision for doubtful debts	**12,998**	38,340	**12,998**	38,340
Amortisation of intangible assets	**1,274,907**	14,815	**–**	–
Write off of intangible assets	**6,364,720**	16,349,733	**–**	–
Depreciation of office furniture and equipment	**137,720**	33,503	**28,413**	25,150
Provision for mine rehabilitation	**–**	25,619	**–**	14,603
(Revaluation)/Devaluation of exploration assets	**189,564**	(8,589)	**59,723**	–
Provision for non-recovery of related party loans	**195,083**	35,000	**195,083**	35,000
Provision for non-recovery of loans to subsidiaries	**–**	–	**10,310,210**	–
Book value of investments and property, plant and equipment sold	**1,953,530**	934,725	**2,255,934**	918,059
Total other expenses from operating activities	**11,677,466**	17,603,474	**17,802,247**	19,331,464
c) Other relevant disclosure items:				
Operating lease rentals	**1,166,111**	139,338	**46,938**	68,553
Government mining royalties incurred	**888,060**	264,730	**–**	–
Finance charges – leased assets	**23,692**	5,767	**–**	–
Provision for mine rehabilitation (included in cost of sales)	**469,859**	75,530	**–**	–
Provision for vacant rental premises	**13,143**	–	**–**	–
Provision for annual leave	**(18,082)**	41,669	**(18,082)**	41,669
d) Gains/(Losses):				
Proceeds from disposal of investments	**3,158,267**	1,370,663	**3,138,381**	1,353,997
Book value of investments sold	**(1,879,171)**	(934,725)	**(2,229,426)**	(918,059)
Profit on sale of investments	**1,279,096**	435,938	**908,955**	435,938
Proceeds from sale of office furniture and equipment	**44,470**	200	**23,200**	200
Book value of office furniture and equipment sold	**(74,359)**	–	**(26,508)**	–
Profit/(loss) on sale of office furniture and equipment	**(29,889)**	200	**(3,308)**	200
e) Share of net loss of associate (i)	**269,491**	374,444	**–**	–

(i) The share of associates net loss relates to the Company's share of Resource Trading Systems Pty Ltd's ("RTS") net loss for the period during which it was an associate of the Company. It ceased to be an associated on 12 April 2001 when RTS was placed in voluntary administration. It has subsequently been put into liquidation.

	Consolidated		Surfboard Limited	
	2001	2000	**2001**	2000
	$	$	**$**	$

NOTE 4 – INCOME TAX

a) The prima facie income tax expense/(benefit) on the loss from ordinary activities is reconciled to the income tax provided in the accounts as follows:

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
The prima facie income tax expense/(benefit) on the loss from ordinary activities at 34% (2000: 36%)	**(4,381,599)**	(6,937,714)	**(5,165,431)**	(7,089,859)
Tax effect of permanent differences:				
Provision for diminution of investment in controlled entities	**–**	–	**1,061,293**	6,523,194
Equity accounted losses	**91,627**	134,800	**–**	–
Provision for diminution of investments	**526,641**	64,918	**618,268**	64,918
Forgiveness of debt	**–**	–	**–**	3,442
Provision for non-recovery of loans to controlled entities	**–**	–	**3,657,096**	–
Provision for non-recovery of loans	**70,748**	–	**70,748**	–
Forgiveness of inter-group debt	**–**	–	**(482,106)**	–
Entertainment	**1,950**	3,271	**1,215**	3,237
Research and development	**(193,152)**	–	**–**	–
Accounting amortisation on revalued exploration expenditure	**136,118**	1,310,892	**–**	–
Accounting profit on sale of investments	**(434,892)**	(156,938)	**(309,045)**	(156,938)
Devaluation of exploration assets	**64,452**	–	**20,305**	–
Net capital gain	**21,725**	156,837	**21,725**	156,836
Bad debts recovered	**–**	(261)	**–**	–
Write-down of intellectual property	**2,164,005**	5,885,904	**–**	–
Amortisation of intangibles	**433,468**	6,250	**–**	–
Other non-deductible expenses	**32,788**	75,082	**26,606**	33,522
Income tax benefit not brought to account	**1,466,121**	1,074,291	**479,326**	461,648
Tax losses of prior years recouped	**–**	(1,617,332)	**–**	–
Income tax expense/(benefit) attributable to loss from ordinary activities	**–**	–	**–**	–

b) Potential net future income tax benefits attributable to tax losses carried forward but not brought to account amount to approximately $3,423,733 at 30% for the Consolidated Entity and $419,976 at 30% for the Company (2000: Consolidated Entity $4,726,362 at 34%, Company $4,044,165 at 34%). The benefits will only be obtained if:

- The Company and Consolidated Entity derive future assessable income of a nature and amount which will enable the benefit from the deductions for the losses to be realised;
- The Company and Consolidated Entity continue to comply with the conditions for deductibility imposed by law; and
- No changes in tax legislation adversely affect the Company's and Consolidated Entity's ability to realise the benefit from the deductions for the losses.

	Note	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
NOTE 5 – RECEIVABLES					
CURRENT					
Trade debtors		**1,792,766**	843,190	**–**	–
Security deposits		**185,977**	190,036	**105,625**	100,162
Amounts receivable from related parties	23(d)	**154,948**	137,626	**154,948**	137,626
Other debtors		**93,195**	29,655	**13,200**	19,462
Provision for doubtful recovery		**(16,423)**	(16,423)	**(10,000)**	(10,000)
		2,210,463	1,184,084	**263,773**	247,250
NON-CURRENT					
Related Parties:					
Loans to controlled entities	23(d)	**–**	–	**11,375,625**	8,210,667
Provision for doubtful recovery (i)	23(d)	**–**	–	**(10,756,164)**	(445,954)
Loans to other related parties	23(d)	**313,088**	300,090	**313,088**	300,090
Provision for doubtful recovery (ii)		**(281,421)**	(73,340)	**(281,421)**	(73,340)
		31,667	226,750	**651,128**	7,991,463
Other:					
Security deposits		**432,911**	397,706	**382,557**	347,352
		464,578	624,456	**1,033,685**	8,338,815

(i) The movement of $10,310,210 is comprised:

- The reversal of provisions relating to the forgiveness of debt to controlled entities during the year totalling $445,954.
- An amount of $10,717,833 booked to provide for the non-recoverability of loans to Surfboard Securities Limited.
- An amount of $38,331 booked to provide for the non-recoverability of loans to other controlled entities.

(ii) The movement of $208,081 relates to provisions booked to reflect the recoverability of a loan to an employee of the Company pursuant to the employee share plan and is based on the Company's share price at 30 June 2001 of 9.5 cents per share ($158,333) and to fully provide for loans to Agricultural Trading Systems Pty Ltd ($12,998) and Resources Trading Systems Pty Ltd (in liquidation) ($36,750).

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
NOTE 6 – INVENTORIES				
Product inventory – at cost	**2,068,879**	2,119,969	**–**	–

		Consolidated		Surfboard Limited	
		2001	2000	**2001**	2000
	Note	**$**	$	**$**	$
NOTE 7 – INVESTMENTS					
CURRENT					
Investments listed on a prescribed stock exchange (at cost)		**265,810**	1,186,129	**265,810**	1,186,129
Provision for diminution		**(265,810)**	(180,328)	**(265,810)**	(180,328)
		–	1,005,801	**–**	1,005,801
NON-CURRENT					
Unlisted Investments (at cost)		**1,552,626**	1,552,626	**1,552,626**	1,552,626
Share of associate's net loss (i)	3(e)	**(269,491)**	–	**–**	–
Provision for diminution		**(1,283,135)**	–	**(1,552,626)**	–
		–	1,552,626	**–**	1,552,626
Controlled entities (at cost)	20	**–**	–	**27,903,678**	27,903,678
Provision for diminution		**–**	–	**(23,322,222)**	(20,200,770)
		–	–	**4,581,456**	7,702,908
Associated company – listed on a prescribed Stock Exchange (at cost)		**–**	–	**–**	1,504,312
Associated company – listed on a prescribed Stock Exchange (at equity accounted amount)		**–**	1,146,459	**–**	–
		–	2,699,085	**4,581,456**	10,759,846

There would be no capital gains tax payable if these investments were sold at Balance Date.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment (at cost)		**1,103,312**	646,694	**–**	–
Accumulated depreciation		**(487,194)**	(303,513)	**–**	–
		616,118	343,181	**–**	–
Office equipment (at cost)		**375,697**	705,059	**19,138**	189,504
Accumulated depreciation		**(129,707)**	(178,395)	**(6,905)**	(155,544)
		245,990	526,664	**12,233**	33,960
Motor vehicles (at cost)		**24,362**	64,362	**24,362**	64,362
Accumulated depreciation		**(14,313)**	(27,992)	**(14,313)**	(27,992)
		10,049	36,370	**10,049**	36,370
Computer systems under lease		**356,980**	155,549	**–**	–
Accumulated amortisation		**(123,353)**	(20,917)	**–**	–
		233,627	134,632	**–**	–

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
Office equipment under lease	**64,002**	64,002	**–**	–
Accumulated amortisation	**(33,110)**	(17,601)	**–**	–
	30,892	46,401	**–**	–
Land (at cost) (i)	**225,362**	225,362	**–**	–
	1,362,038	1,312,610	**22,282**	70,330

(i) Land refers to a pastoral lease acquired in relation to mining activities at Mt Windsor.

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
MOVEMENT:				
PROPERTY, PLANT AND EQUIPMENT				
Balance at beginning of year	**343,181**	346,815	**–**	–
Additions	**456,618**	132,831	**–**	–
Disposals	**–**	–	**–**	–
Depreciation expense	**(183,681)**	(136,465)	**–**	–
Balance at end of year	**616,118**	343,181	**–**	–
OFFICE EQUIPMENT				
Balance at beginning of year	**526,664**	28,957	**33,960**	28,957
Additions	**25,991**	538,348	**6,872**	22,793
Disposals	**(26,271)**	(430)	**(3,844)**	(430)
Transfer to leased assets	**(112,130)**	–	**–**	–
Depreciation expense	**(168,264)**	(40,211)	**(24,755)**	(17,360)
Balance at end of year	**245,990**	526,664	**12,233**	33,960
MOTOR VEHICLES				
Balance at beginning of year	**36,370**	43,730	**36,370**	43,730
Disposals	**(22,667)**	–	**(22,667)**	–
Depreciation expense	**(3,654)**	(7,360)	**(3,654)**	(7,360)
Balance at end of year	**10,049**	36,370	**10,049**	36,370
COMPUTER SYSTEMS UNDER LEASE				
Balance at beginning of year	**134,632**	–	**–**	–
Additions	**80,394**	155,549	**–**	–
Disposals	**(14,181)**	–	**–**	–
Amortisation expense	**(79,348)**	(20,917)	**–**	–
Transfer from Office equipment	**112,130**	–	**–**	–
Balance at end of year	**233,627**	134,632	**–**	–
COMPUTER EQUIPMENT UNDER LEASE				
Balance at beginning of year	**46,401**	–	**–**	–
Amortisation expense	**(15,509)**	–	**–**	–
Balance at end of year	**30,892**	–	**–**	–

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
NOTE 9 – OTHER ASSETS				
Prepayments	**46,116**	28,660	**33,660**	28,660
NOTE 10 – DEFERRED EXPLORATION, EVALUATION & DEVELOPMENT COSTS				
Exploration & evaluation properties (at cost)	**1,297,906**	1,387,330	**524,865**	574,300
Development properties (at cost)	**505,546**	–	**–**	–
Production properties (at cost)	**18,177,245**	16,119,734	**–**	–
Less: Accumulated Amortisation	**(9,798,412)**	(3,181,074)	**–**	–
	10,182,285	14,325,990	**524,865**	574,300
MOVEMENT:				
Exploration & Evaluation Properties				
Balance at beginning of year	**1,387,330**	1,615,371	**574,300**	603,850
Current year expenditure	**100,140**	30,596	**10,288**	11,197
Revaluation decrement	**–**	(267,226)	**–**	(40,747)
Write-down to recoverable amount	**(189,564)**	–	**(59,723)**	–
Expenditure written (off)/back	**–**	8,589	**–**	–
Transfer to development properties	**–**	–	**–**	–
Balance at end of year	**1,297,906**	1,387,330	**524,865**	574,300
Development Properties				
Balance at beginning of year	**–**	9,256,762	**–**	–
Current year expenditure	**505,546**	4,668,156	**–**	–
Transfer to production properties	**–**	(13,924,918)	**–**	–
Balance at end of year	**505,546**	–	**–**	–
Production Properties				
Balance at beginning of year	**12,938,660**	2,267,942	**–**	–
Current year expenditure	**2,057,511**	950,910	**–**	–
Transfer from development property	**–**	13,924,918	**–**	–
Amortisation charged	**(6,617,338)**	(4,042,691)	**–**	–
Revaluation decrement	**–**	(162,419)	**–**	–
Balance at end of year	**8,378,833**	12,938,660	**–**	–
	10,182,285	14,325,990	**524,865**	574,300

The directors have reviewed the carrying values of each area of interest as at Balance Date. Where the carrying value of an individual area of interest was in excess of its recoverable amount the area of interest has been written down to its recoverable amount as at 30 June 2001.

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
NOTE 11 – INTANGIBLES				
Intellectual property	**7,450,291**	23,805,024	**–**	–
Less: Accumulated amortisation	**(1,241,715)**	(5,000)	**–**	–
Less: Write-down to recoverable amount (i)	**(6,208,576)**	(16,349,733)	**–**	–
Intellectual property – at directors' valuation	**–**	7,450,291	**–**	–
Goodwill on acquisition (at cost)	**199,151**	199,151	**–**	–
Less: Accumulated amortisation	**(43,007)**	(9,815)	**–**	–
Less: Write-down to recoverable amount (i)	**(156,144)**	–	**–**	–
	–	189,336	**–**	–
	–	7,639,627	**–**	–

(i) The directors have reviewed the carrying value of intellectual property and goodwill at 30 June 2001 and written them down to their recoverable amounts. The methodology applied in determining the recoverable amount of these assets is consistent with the previous financial year.

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
NOTE 12 – ACCOUNTS PAYABLE				
Trade creditors	**1,658,928**	1,366,162	**142,237**	156,600
Other creditors	**540,860**	2,269,450	**14,548**	79,470
	2,199,788	3,635,612	**156,786**	236,070

		Consolidated		Surfboard Limited	
		2001	2000	**2001**	2000
	Note	**$**	$	**$**	$
NOTE 13 – INTEREST BEARING LIABILITIES					
CURRENT					
Bank loans – secured (i)		**1,250,000**	3,955,935	**1,250,000**	3,955,935
Finance lease liabilities – secured (ii)	24(b)	**62,797**	69,923	**–**	–
Deferred cash settlement for acquisition of a controlled entity		**–**	90,000	**–**	–
		1,312,797	4,115,858	**1,250,000**	3,955,935
NON-CURRENT					
Loans from controlled entities – unsecured	23(d)	**–**	–	**7,030,497**	6,041,364
Convertible redeemable preference shares		**1,000**	1,000	**1,000**	1,000
Finance lease liability – secured (ii)	24(b)	**–**	90,824	**–**	–
		1,000	91,824	**7,031,497**	6,042,364

SECURITY FOR INTEREST BEARING LIABILITIES

(i) The bank loans are secured by a fixed and floating charge over the assets and undertakings of the Company and certain of its controlled entities and a mining mortgage over the Mount Windsor mining tenements.

(ii) Finance leases have a remaining lease term of 6 months with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 19.10%. The leases are secured by a charge over the leased assets.

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
FINANCE FACILITIES				
Total Facilities:				
Amortising revolving corporate facility	**1,250,000**	5,500,000	**1,250,000**	5,500,000
Guarantee facility	**860,000**	750,000	**860,000**	750,000
Used at Balance Date:				
Amortising revolving corporate facility	**1,250,000**	3,955,935	**1,250,000**	3,955,935
Guarantee facility	**860,000**	750,000	**860,000**	750,000
Unused at Balance Date:				
Amortising revolving corporate facility	**–**	1,544,065	**–**	1,544,065
Guarantee facility	**–**	–	**–**	–

Appropriate commodity and foreign exchange hedging facilities have also been provided to the Consolidated Entity. The maximum principal outstanding in relation to the corporate facility must be repaid in full by 30 September 2001. The corporate facility has a variable interest rate of 2.0% per annum over the bank's Base Lending Rate. It was provided to fund the Consolidated Entity's share of the budgeted development capital costs for the Highway project and for other purposes as agreed from time to time by the financier.

The guarantee facility may be drawn at any time to fund the Consolidated Entity's requirements for Mines Department guarantees in relation to the Reward and Highway projects and Horseshoe Lights mine and other guarantees as approved by the financier from time to time. The drawdowns on this facility represent bank guarantees provided to the Queensland and Western Australian Departments of Minerals and Energy and to Servcorp ASX Pty Ltd. They are contingent instruments and not cash drawdowns. A fee of 2.0% per annum on the face value of any bank guarantee provided is payable in relation to the guarantee facility. The guarantee facility expires on 30 September 2001 and the hedging facilities expires on 31 December 2001.

	Note	2001 $	Consolidated 2000 $	2001 $	Surfboard Limited 2000 $
NOTE 14 – PROVISIONS					
CURRENT					
Provision for annual leave	26	**72,727**	90,808	**72,727**	90,808
Provision for mine rehabilitation		**445,131**	278,941	**–**	–
Provision for vacant premises rental		**13,143**	–	**–**	–
		531,001	369,749	**72,727**	90,808
NON-CURRENT					
Provision for mine rehabilitation		**1,329,288**	1,025,619	**584,603**	584,603
NOTE 15 – CONTRIBUTED EQUITY					
Ordinary fully paid shares (84,976,932 shares)		**32,984,551**	32,984,551	**32,984,551**	32,984,551
Ordinary partly paid shares (nil shares)		**28,066**	28,066	**28,066**	28,066
Forfeited shares (nil shares)		**3,000**	3,000	**3,000**	3,000
		33,015,617	33,015,617	**33,015,617**	33,015,617

a) OPTIONS ISSUED DURING THE YEAR

No options over unissued ordinary shares were issued during the year, and no options or preference shares were exercised/converted during the year.

b) SHARE OPTIONS

Options over unissued ordinary shares outstanding at Balance Date are as follows:

i) 42,518,067 options over unissued ordinary shares exercisable at 80 cents each on or before 31 December 2001. 35,195,412 of these options are listed, 4,469,724 are subject to restriction agreements which prevent the disposal of any interest in these securities until 19 May 2002 and 2,852,931 are subject to restriction agreements which prevent the disposal of any interest in these securities until 16 October 2002.

ii) 7,144,615 unlisted options over unissued ordinary shares exercisable at 84 cents each on or before 30 June 2002. 796,405 of these options are the subject of restriction agreements which prevents the disposal of any interest in these securities until 19 May 2002 and 508,328 of these options are the subject of restriction agreements which prevents the disposal of any interest in these securities until 16 October 2002.

iii) 100,000,000 convertible redeemable preference shares convertible into unissued ordinary shares on a one-for-one basis for the payment of 20 cents on or before 30 April 2003, provided that the ordinary share price trades at predetermined trigger prices between $1.00 and $1.50 over sustained periods prior to that time. Any preference shares not converted on or before 30 April 2003 are redeemable by the Company for their issue price of 0.001 cent per share. 42,035,157 of these securities are subject to restriction agreements which prevents the disposal of any interest in these securities until 19 May 2002 and 26,830,168 of these securities are subject to restriction agreements which prevents the disposal of any interest in these securities until 16 October 2002. However, upon the conversion of the preference shares into ordinary shares only 75% of the resultant ordinary shares issued remain subject to escrow. The remaining 25% of ordinary shares issued are fully tradeable.

c) SHARES SUBJECT TO RESTRICTION AGREEMENTS

12,907,166 ordinary fully paid shares issued in the previous financial year as consideration for the acquisition of Surfboard Securities Limited are subject to restriction agreements. 7,225,783 of these shares are escrowed until 19 May 2002 and 5,681,383 until 16 October 2002.

	Consolidated		Surfboard Limited	
	2001	2000	**2001**	2000
	$	$	**$**	$
NOTE 16 – RESERVES				
General reserve	**667,433**	667,433	**667,433**	667,433
Option issue reserve	**3,568,913**	3,568,913	**3,568,912**	3,568,912
Asset revaluation reserve	**1,638,002**	1,638,002	**515,798**	515,798
	5,874,348	5,874,348	**4,752,143**	4,752,143

NOTE 17 – FINANCIAL INSTRUMENTS

a) OFF-BALANCE SHEET DERIVATIVE INSTRUMENTS

The Consolidated Entity is a party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and commodity prices.

Commodity Contracts

At 30 June 2001, the Consolidated Entity had committed to the following hedging contracts, in order to protect it from adverse movements in commodity prices.

	2001 Qty Hedged (tonnes)	**2001 Average Price (US$/tonne)**	2000 Qty Hedged (tonne)	2000 Average Price (US$/tonne)
Copper Forwards (tonnes)	**3,850**	**1,745**	10,900	1,730

As commodity contacts can be settled other than by physical delivery of the underlying commodity, they are classified as financial instruments. On maturity, the contracted price is compared to the spot price on that date and the price differential is applied to the contracted quantity. A net amount is paid or received by the Consolidated Entity.

As these contracts are entered into for the purpose of hedging future production, the gains and costs of entering into these contracts and any unrealised gains and losses are deferred until the underlying production occurs.

It is the Company's practice to hedge a portion of expected future production. The unrealised gains and losses deferred at Balance Date and the periods to which they related are set out below:

	2001 Net Gain/(loss) $	2000 Net Gain/(loss) $
Copper Contracts	**1,442,336**	(1,502,172)
Maturity		
0 – 12 months	**1,442,336**	(1,270,332)
12 – 24 months	–	(231,840)
	1,442,336	(1,502,172)

The unrealised gains and losses are measured by comparing the contracted price to the spot price at Balance Date. The amounts disclosed above are only indicative of the amounts which may be ultimately realised and should be considered in conjunction with unrealised losses on foreign exchange contracts.

Foreign Exchange Contracts

The sales revenue of the Consolidated Entity is predominantly denominated in United States dollars. In order to protect against adverse exchange rate movements, a portion of anticipated United States dollar exposure in relation to sales from the Highway project has been sold forward under foreign exchange contracts. United States dollar denominated revenue received each month will be delivered into these contracts which have maturity dates between July 2001 and December 2001.

Maturity	Sell US Dollars 2001	2000	Buy Australian Dollars 2001	2000	Average Exchange Rate 2001	2000
At Balance Date, the details of outstanding contracts are:						
0 – 12 months	**3,433,653**	10,400,000	**5,549,468**	15,903,440	**0.6187**	0.6539
12 – 24 months	**–**	8,000,000	**–**	12,843,775	**–**	0.6229
	3,433,653	18,400,000	**5,549,468**	28,747,215	**0.6187**	0.6401

As these contracts are hedging anticipated future sales, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

An unrealised foreign exchange rate contract loss of A$1,223,023 (2000: loss A$1,578,989) has been deferred at Balance Date. The unrealised loss is measured by comparing the contractual rate to the market rate for a contract with the same period to maturity at Balance Date. The unrealised loss of A$1,223,023 (2000: loss A$1,578,989) is only indicative of the amount which may ultimately be realised and should be considered in conjunction with unrealised losses on commodity contracts.

b) INTEREST RATE RISK EXPOSURE

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities are set out below.

Exposures arise predominantly from cash at bank and on deposit, bank borrowings and finance leases.

	2001 Floating Interest Rate $	**2001 Non-Interest Bearing $**	**2001 Total $**	2000 Floating Interest Rate $	2000 Non-Interest Bearing $	2000 Total $
Financial Assets						
Cash at bank	**304,708**	**103,116**	**407,824**	347,245	545,033	892,278
Cash on deposit	**6,295,857**	**–**	**6,295,857**	7,957,323	–	7,957,323
Receivables	**138,560**	**2,536,481**	**2,675,041**	133,097	1,675,443	1,808,540
Investment	**–**	**–**	**–**	–	3,704,886	3,704,886
	6,739,125	**2,639,597**	**9,378,722**	8,437,665	5,925,362	14,363,027
Weighted average interest rate	**5.04%**	**N/A**		5.81%	N/A	
Financial Liabilities						
Bank loans	**1,250,000**	**–**	**1,250,000**	3,955,935	–	3,955,935
Trade and other creditors	**13,981**	**2,185,807**	**2,199,788**	79,470	3,556,142	3,635,612
Finance lease liability	**62,797**	**–**	**62,797**	160,747	–	160,747
Deferred cash settlement for subsidiary acquired	**–**	**–**	**–**	–	90,000	90,000
Preference shares	**1,000**	**–**	**1,000**	1,000	–	1,000
	1,327,778	**2,185,807**	**3,513,585**	4,197,152	3,646,142	7,843,294
Weighted average interest rate	**8.16%**	**N/A**		8.2%	N/A	

	2001	**2001**	2000	2000
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
	$	**$**	$	$

NOTE 17 – FINANCIAL INSTRUMENTS (continued)

c) NET FAIR VALUE OF FINANCIAL ASSETS & LIABILITIES

On-Balance Sheet

The fair value of on-balance sheet financial assets and liabilities of the Consolidated Entity, approximate their carrying values.

Off-Balance Sheet

Off-balance sheet financial assets and liabilities comprise foreign exchange and commodity contracts. The net fair value of these contracts is taken to be the unrealised gain or loss at Balance Date calculated by reference to the current forward rates for contacts with similar maturity profiles. The net unrealised profit at Balance Date of these contracts is A$219,313 (2000: loss A$3,081,161)

	2001 Carrying Amount $	**2001 Net Fair Value $**	2000 Carrying Amount $	2000 Net Fair Value $
Financial Assets				
Commodity Contracts	**–**	**1,442,336**	–	–
	–	**1,442,336**	–	–
Financial Liabilities				
Foreign Exchange Contracts	**–**	**(1,223,023)**	–	(1,578,989)
Commodity Contracts	**–**	**–**	–	(1,502,172)
	–	**(1,223,023)**	–	(3,081,161)
Net Financial Assets/(Liabilities)	**–**	**219,313**	–	(3,081,161)

NOTE 18 – NOTES TO THE STATEMENTS OF CASHFLOWS

a) RECONCILIATION OF CASH

For the purposes of the statements of cashflows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cashflows is reconciled to the related items in the balance sheet as follows:

		Consolidated		Surfboard Limited
	2001	2000	**2001**	2000
	$	$	**$**	$
Cash at bank	**120,323**	616,395	**18,393**	447,632
Deposits at call (i)	**6,295,857**	7,957,323	**123,547**	2,135,637
Cash at bank – Joint Ventures (ii)	**287,501**	275,883	**–**	–
	6,703,681	8,849,601	**141,940**	2,583,269

(i) Deposits at call

The deposits are bearing floating interest rates between 5.08% p.a. and 5.48% at 30 June 2001 (30 June 2000 – between 5.6% and 5.85%).

(ii) Joint Venture cash at bank

This cash represents Mount Windsor Joint Venture, Reward, Highway and Reward Deeps/Conviction cash calls paid by Surfboard but not yet used by the joint ventures to pay creditors. The interest rate attributable to this account at 30 June 2001 was 4% p.a (30 June 2000 – 5.25% p.a).

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
b) RECONCILIATION OF CASHFLOW FROM OPERATING ACTIVITIES WITH LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX				
Loss from ordinary activities after income tax	**(12,887,055)**	(19,271,429)	**(15,192,443)**	(19,694,052)
Non-cashflows in loss from ordinary activities:				
Amortisation of deferred exploration, evaluation & development costs	**6,965,397**	3,990,765	**–**	–
Depreciation of plant & equipment	**450,456**	172,514	**28,413**	25,150
Provision for doubtful debts	**12,998**	38,340	**12,998**	38,340
Provision for rehabilitation	**469,859**	101,149	**–**	14,603
Provision/(reversal of provision) for non-recoverability of loans to related parties	**195,083**	35,000	**195,083**	35,000
Provision for diminution of current investments	**265,809**	180,328	**265,810**	180,328
Provision for diminution of non-current investments	**1,283,135**	–	**1,552,627**	–
Provision for vacant rental premises	**13,143**	–	**–**	–
Provision for non-recovery of loans to subsidiaries	**–**	–	**10,310,210**	–
Provision for diminution of investments in subsidiaries	**–**	–	**3,121,451**	18,119,984
Exploration expenditure written off/(back)	**34,512**	–	**1,220**	–
Profit on disposal of investments	**(1,264,606)**	(435,938)	**(894,465)**	(435,938)
Profit/(loss) on disposal of property, plant and equipment	**29,889**	(200)	**3,308**	(200)
Gain on forgiveness of inter-company loans	**–**	–	**(972,004)**	9,562
Provision for annual leave	**(18,082)**	41,669	**(18,082)**	41,669
Amortisation of intangibles	**1,274,907**	14,815	**–**	–
Devaluation of exploration assets	**189,557**	(8,589)	**59,723**	–
Write-off of intangibles	**6,364,720**	16,349,733	**–**	–
Equity accounted losses	**269,491**	374,444	**–**	–
Changes in assets and liabilities				
Receivables	**(1,060,020)**	370,181	**(50,163)**	(24,658)
Prepayments	**(17,456)**	(8,142)	**(5,000)**	(8,142)
Trade creditors and accruals	**(1,281,910)**	(606,426)	**(13,795)**	81,404
Inventories	**(296,970)**	174,158	**–**	–
Cash Inflow/(Outflow) from operating activities	**992,857**	1,512,372	**(1,595,109)**	(1,616,950)

	Consolidated		Surfboard Limited	
	% Interest	% Interest	**% Interest**	% Interest
Name of Joint Venture	**2001**	2000	**2001**	2000

NOTE 19 – INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2001 the Consolidated Entity was a participant in the following joint ventures:

	Consolidated 2001	Consolidated 2000	Surfboard Limited 2001	Surfboard Limited 2000
PRODUCTION JOINT VENTURES:				
Reward – Copper/Gold	**31.15%**	31.15%	**–**	–
Highway – Copper	**30%**	30%	**–**	–
DEVELOPMENT JOINT VENTURES:				
Reward Deeps/Conviction – Copper	**30%**	–	**–**	–
EXPLORATION JOINT VENTURES:				
Mt Samuel – Exploration Gold	**85%**	85%	**42.5%**	42.5%
Abercromby Well – Exploration Gold/Nickel	**10%**	10%	**–**	–
Mt Windsor – Exploration Gold/Base Metals	**30%**	30%	**–**	–

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit.

The Consolidated Entity's direct interests in joint venture net assets, as summarised below, are included in the corresponding balance sheet items in the Consolidated Entity accounts.

	Consolidated		Surfboard Limited	
	2001	2000	**2001**	2000
	$	$	**$**	$
CURRENT ASSETS				
Cash	**287,501**	275,883	**–**	–
Inventories	**2,068,879**	2,119,969	**–**	–
Total Current Assets	**2,356,380**	2,395,852	**–**	–
NON-CURRENT ASSETS				
Deferred exploration, evaluation and development costs	**8,848,751**	12,542,944	**–**	50,000
Property, plant and equipment	**841,480**	568,543	**–**	–
Total Non-Current Assets	**9,690,231**	13,111,487	**–**	50,000
Total Assets	**12,046,611**	15,507,339	**–**	50,000
CURRENT LIABILITIES				
Accounts payable	**1,219,735**	797,061	**–**	–
Provisions	**445,131**	278,941		–
Total Current Liabilities	**1,664,866**	1,076,002	**–**	–
NON-CURRENT LIABILITIES				
Provisions	**303,669**	–	**–**	–
Total Liabilities	**1,968,535**	1,076,002	**–**	–
Net Assets Employed in Joint Venture Operations	**10,078,076**	14,431,337	**–**	50,000

The net contributions of joint venture operations (inclusive of resultant revenues) to the group operating profit before income tax and abnormal items was a profit of $3,581,168 (2000: profit $971,380).

Contingent liabilities in relation to joint ventures are disclosed in note 25. For details of expenditure commitments relating to joint ventures refer to note 24(c).

BUSINESS UNDERTAKINGS

A partnership was formed in the 1998/99 financial year between the Consolidated Entity and a group of investors, led by Hestak Pty Ltd, for the purpose of monitoring and carrying out various mining activities in relation to the Horseshoe Mine and other partnership assets. The Consolidated Entity has a 4% interest in the partnership which is reflected at zero value in the Consolidated Entity's accounts at Balance Date.

NOTE 20 – INVESTMENTS IN CONTROLLED ENTITIES

The following were controlled entities at 30 June 2001, and have been included in the consolidated financial statements. The financial years of all controlled entities are the same as that of the Company.

	% Ordinary Shares Held		Book Value in Surfboard Limited	
	2001	2000	**2001**	2000
Name of Controlled Entity	**%**	%	**$**	$
Gemex Holdings Pty Ltd (in liquidation) (b)	**100**	100	**–**	–
Grampian Mining Pty Ltd (in liquidation) (b)	**100**	100	**–**	–
Grange Capital Pty Ltd	**100**	100	**–**	–
Tribune Developments Pty Ltd	**100**	100	**–**	–
Sabminco (NZ) Pty Ltd (in liquidation) (b)	**100**	100	**–**	–
Barrack Mines Pty Ltd	**100**	100	**4,581,456**	4,617,124
Barrack Mine Management Pty Ltd	**100**	100	**–**	–
Metramar Minerals Pty Ltd (in liquidation) (b)	**100**	100	**–**	–
Bamine Pty Ltd	**100**	100	**–**	–
BML Holdings Pty Ltd	**100**	100	**–**	–
Horseshoe Gold Mine Pty Ltd	**100**	100	**–**	–
BMM Licensing Services Pty Ltd (in liquidation) (b)	**100**	100	**–**	–
Surfboard Securities Ltd	**100**	100	**–**	3,085,784
Surfboard Professional Services Ltd (c)	**100**	100	**–**	–
Surfboard Stockbroking Ltd (c)	**100**	100	**–**	–
Streetnet Pty Ltd	**100**	100	**–**	–
			4,581,456	7,702,908

- The company and all controlled entities are incorporated in Australia. Surfboard Limited is a company limited by shares and domiciled in Australia.
- The company has been placed into voluntary liquidation subsequent to year end in order to simplify the group structure by winding up controlled entities with no ongoing business activities.
- A voluntary application to deregister the company was lodged with the Australian Securities and Investment Commission during the year.

	Directors of Entities in the Consolidated Entity		Directors of the Company	
	2001	2000	**2001**	2000
	$	$	**$**	$

NOTE 21 – REMUNERATION OF DIRECTORS AND EXECUTIVES

a) REMUNERATION OF DIRECTORS

	2001 $	2000 $	**2001 $**	2000 $
Income paid or payable, or otherwise made available, to directors by entities in the Economic Entity and related parties in connection with the management of the affairs of the Company or its controlled entities*.	**532,128**	617,907	**532,128**	617,907

** Excluding executives of the Company who are only directors of wholly owned Australian controlled entities.*

The number of Company directors whose income (including superannuation contributions and other benefits) from entities in the Consolidated Entity or related parties was within the specified bands are as follows:

	2001 Number	2000 Number
$ 1 – $ 10,000	**–**	3
$ 10,001 – $ 20,000	**–**	1
$ 20,001 – $ 30,000	**3**	3
$ 40,001 – $ 50,000	**–**	1
$ 50,001 – $ 60,000	**1**	–
$150,001 – $ 160,000	**–**	1
$160,001 – $ 170,000	**1**	–
$230,001 – $ 240,000	**1**	–
$310,001 – $ 320,000	**–**	1

In the opinion of directors, remuneration paid to directors is reasonable.

b)

	Executive Officers of Entities in the Consolidated Entity		Executive Officers of the Company	
	2001	2000	**2001**	2000
	$	$	**$**	$
Remuneration received, or due and receivable, from entities in the Consolidated Entity and related parties by executive officers (including directors) whose remuneration was $100,000 or more.	**695,361**	631,553	**695,361**	631,553

	Executive Officers of the Consolidated Entity		Executive Officers of the Company	
	2001	2000	**2001**	2000
	Number	Number	**Number**	Number
The number of executive officers (including directors) whose income from entities in the Consolidated Entity and related parties was within the specified bands are as follows:				
$140,001 – $150,000	**2**	1	**2**	1
$160,001 – $170,000	**1**	–	**1**	–
$170,001 – $180,000	**–**	1	**–**	1
$230,001 – $240,000	**1**	–	**1**	–
$310,000 – $320,000	**–**	1	**–**	1

In the opinion of directors, remuneration paid to executives is reasonable.

NOTE 22 – SEGMENT INFORMATION

a) GEOGRAPHIC SEGMENTS

The Consolidated Entity operates predominantly in one geographic segment, Australia.

b) INDUSTRY SEGMENTS

The Consolidated Entity operates predominantly in two industries – the mining and exploration industry and the technology and financial services industry.

	Mining & Exploration Activities		Financial Services & Technology Activities		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000
	$	$	**$**	$	**$**	$
Sales revenue	**21,323,970**	14,368,566	**–**	–	**21,323,970**	14,368,566
Other revenue	**–**	–	**3,330,354**	1,387,157	**3,330,354**	1,387,157
Unallocated revenue					**516,999**	428,615
Total revenue	**21,323,970**	14,368,566	**3,330,354**	1,387,157	**25,171,323**	16,184,338
Segment result	**3,492,584**	747,710	**(14,154,709)**	(18,119,432)	**(10,662,125)**	(17,371,722)
Unallocated expenses					**(2,741,929)**	(2,328,322)
Consolidated Entity loss from ordinary activities					**(12,887,055)**	(19,271,429)
Segment assets	**15,770,819**	18,633,259	**264,519**	12,212,006	**16,035,338**	30,845,265
Unallocated asset					**7,002,702**	8,944,618
Total assets					**23,038,040**	39,789,883

NOTE 23 – RELATED PARTY INFORMATION

a) DIRECTORS

The following persons held the position of director of the Company during all of the past financial year, unless otherwise stated:

P J Bankcard

D F Hagans

P L Brown

H R Moser

L D Kohmascher

A Rankine-Wilson (Resigned 8 September 2000)

b) TRANSACTIONS WITH DIRECTORS OR DIRECTOR RELATED ENTITIES

- Lease payments totalling $90,667 (2000: $7,546) were made to Equitas Finance Pty Ltd, of which Mr P L Brown is a director and shareholder, for the lease of computer and office equipment at commercial rates.
- An amount of $28,200 was paid to Equitas Finance Pty Ltd, being the residual payout of computer equipment at commercial rates.
- Fees of $240,000 (2000: $90,000) were paid to Hagankellar Pty Ltd, of which Mr D F Hagans is a director and shareholder, for services provided by Mr Hagans in his capacity as Managing Director of the Company at commercial rates. These fees form part of directors' remuneration disclosed in note 21.
- An ex-gratia payment of $90,000 was paid to Mr Adam Rankine-Wilson, a director of the Company who resigned during the year, in connection with and upon the termination of his employment contract with the Company. This payment forms part of directors' remuneration disclosed in note 21.
- An amount of $114,316 (2000: $81,413) was received from ECAT Development Capital Limited, a former associate of the Company and of which Mr A Rankine-Wilson and Mr L D Kohmascher are directors, in relation to office and executive staff sharing arrangements provided by the Company on a reimbursement of cost basis.

NOTE 23 – RELATED PARTY INFORMATION (continued)

- An amount of $8,000 (2000: Nil) was received from ECAT Development Capital Limited ("ECAT") during the year, representing payment for items of office furniture and equipment sold to it at commercial rates.
- An amount of $8,509 (2000: Nil) was paid to ECAT Development Capital Limited during the year in relation to an agreement entered into on normal commercial terms and conditions for the assignment of the lease for the Perth office premises to ECAT. $3,000 of this amount represents the make-good amount included in the office premises lease agreement and $5,509 is the reimbursement of the first months rent as a 1 month rent free period was given to ECAT as an incentive for it to takeover Surfboard's lease obligations.
- An amount of $6,842 (2000: Nil) was paid to ECAT Development Capital Limited in relation to an office sharing arrangement entered into during the year for the provision of shared offices to Surfboard by ECAT on a reimbursement of cost basis.
- During the year the Consolidated Entity paid premiums, on normal terms and conditions, in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies which cover all directors and officers of the Consolidated Entity. The policy conditions preclude the disclosure of further information on these policies.

c) DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

i) The aggregate number of securities held by directors (or their related entities) at Balance Date.

	Ordinary Shares	80 cent Options	84 cent Options	Preference Shares
2001	**18,596,563**	**9,317,223**	**3,796,404**	**42,035,156**
2000	18,784,781	9,411,332	5,296,404	42,035,156

ii) The aggregate number of securities held by directors (or their related entities) at Balance Date subject to escrow until 19 May 2002.

	Ordinary Shares	80 cent Options	84 cent Options	Preference Shares
2001	**1,543,801**	**1,616,792**	**288,076**	**15,204,988**
2000	1,543,801	1,616,792	288,076	15,204,988

iii) The aggregate number of securities held by directors (or their related entities) at balance date subject to escrow until 16 October 2002.

	Ordinary Shares	80 cent Options	84 cent Options	Preference Shares
2001	**5,681,683**	**2,852,931**	**508,328**	**26,830,168**
2000	5,681,683	2,852,931	508,328	26,830,168

iv) Movement in directors' security holdings:

- Security holdings previously held by Mr Rankine-Wilson are no longer included in directors' security holdings as he resigned as a director of the Company during the financial year.

v) Details of individual directors' security holdings are included in paragraph 12 of the Directors' Report.

	Consolidated		Surfboard Limited	
	2001	2000	**2001**	2000
	$	$	**$**	$

d) AMOUNTS RECEIVABLE FROM OR PAYABLE TO RELATED PARTIES

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
Aggregate amounts receivable at Balance Date from:				
Controlled entities	**–**	–	**11,375,625**	8,210,667
Provision for non-recovery	**–**	–	**(10,756,164)**	(445,954)
Employees (i)	**225,000**	225,000	**225,000**	225,000
Provision for non-recovery	**(193,333)**	(35,000)	**(193,333)**	(35,000)
Other related parties				
– Partners (ii)	**154,948**	101,980	**154,948**	101,980
– ECAT Development Capital Ltd	**–**	35,646	**–**	35,646
– Agricultural Trading Systems Pty Ltd (iii)	**51,338**	38,340	**51,338**	38,340
– Provision for non-recovery	**(51,338)**	(38,340)	**(51,338)**	(38,340)
– Resources Trading Systems Pty Ltd (in liquidation) (iii)	**36,750**	36,750	**36,750**	36,750
– Provision for non-recovery	**(36,750)**	–	**(36,750)**	–
	186,615	364,376	**806,076**	8,129,089
Aggregate amounts payable at Balance Date to:				
Controlled entities	**–**	–	**7,030,497**	6,041,364
	–	–	**7,030,497**	6,041,364

(i) The loan to an employee was provided in accordance with the provisions of the Employee Share Plan. The loan is interest free and non-recourse. It was repayable on or before 30 November 2000 but has not been called for repayment due to the current low share price.

(ii) Debtor amounts owing by partners of the Consolidated Entity in the Horseshoe Mine Partnership for the reimbursement of Horseshoe Mine care and maintenance expenses.

(iii) Shareholder loans made to private companies in which the Consolidated Entity has or had substantial shareholdings. These loans are unsecured, interest free and are repayable at such time as is unanimously agreed by the directors of those companies. Both loans have been provided for in full as their recoverability is considered doubtful.

Transactions with related parties, other than wholly owned subsidiaries, are made under normal commercial terms and conditions unless otherwise stated.

e) ULTIMATE HOLDING COMPANY

Surfboard Limited is the ultimate Australian holding company of the Consolidated Entity.

NOTE 24 – LEASING AND EXPLORATION COMMITMENTS

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
a) OPERATING LEASE COMMITMENTS (OFFICE PREMISES)				
Payable				
– not later than one year	**134,411**	947,721	**–**	63,660
– later than one year but not later than two years	**–**	607,683	**–**	84,468
– later than two years but not later than five years	**–**	4,543	**–**	–
	134,411	1,559,947	**–**	148,128
b) FINANCE LEASE COMMITMENTS				
Payable				
– not later than one year	**68,280**	90,518	**–**	–
– later than one year but not later than two years	**–**	97,711	**–**	–
Total minimum lease payments	**68,280**	188,229	**–**	–
Less: future finance charges	**(5,483)**	(27,482)	**–**	–
Total lease liability	**62,797**	160,747	**–**	–
Represented by:				
– Current lease liability	**62,797**	69,923	**–**	–
– Non-current lease liability	**–**	90,824	**–**	–
Total Lease Liability	**62,797**	160,747	**–**	–

c) EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain the mining and exploration tenements in which the Consolidated Entity is involved, the Consolidated Entity is committed to meet conditions under which the tenements were granted. If the Consolidated Entity continues to hold those tenements, the minimum expenditure requirements (excluding obligations farmed out under joint venture arrangements) will be approximately:

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
Payable				
– not later than one year	**437,000**	485,000	**66,000**	68,000
– later than one year but not later than two years	**437,000**	485,000	**66,000**	68,000
– later than two years but not later than five years	**1,311,000**	1,455,000	**198,000**	204,000
	2,185,000	2,425,000	**330,000**	340,000

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $

NOTE 25 – CONTINGENT LIABILITIES

BANK GUARANTEES

Bank guarantees have been provided on the Consolidated Entity's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $329,092 (2000: $329,092), in relation to the rehabilitation of the Reward project.

Bank guarantees have been provided on the Consolidated Entity's behalf to secure, on demand by the Minister for Mines and Energy for the State of Western Australia, any sum to a maximum aggregate amount of $327,500 (2000: $327,500), in relation to the rehabilitation of the Horseshoe Lights Mine.

Bank guarantees have been provided on the Consolidated Entity's behalf to secure, on demand by Servcorp ASX Pty Ltd, any sum to a maximum aggregate amount of $210,750 (2000: $210,750), in relation to a rental guarantee on an office premises. This guarantee was released subsequent to Balance Date as a consequence of the termination of the relevant office premises lease.

CLAIMS

On 4 September 2000 Austin Condell Pty Limited, a company associated with a former director of a subsidiary lodged a claim in the District Court of NSW for commissions for certain contractors. The claim is for $329,931 excluding costs and interest. The claim has been disputed by the Consolidated Entity on legal advice.

No material losses are anticipated in respect of any of the above contingent liabilities.

NOTE 26 – EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

a) EMPLOYEE ENTITLEMENTS

	Consolidated 2001 $	Consolidated 2000 $	Surfboard Limited 2001 $	Surfboard Limited 2000 $
The aggregate employee entitlement liability is comprised of:				
Provision for annual leave	**72,727**	90,808	**72,727**	90,808

b) NUMBER OF EMPLOYEES

The number of full-time employees of the Company at Balance Date was six.

c) EMPLOYEE SHARE AND OPTION PLANS

The Company has an employee share plan ("plan"). At the discretion of the directors any employee of the Company may be invited to participate in the plan. The plan provides for the acquisition of fully paid shares at the greater of an amount determined by the directors and the market value of the shares at the date of offer. The Company may in its discretion offer to make available to the employee an interest free loan for the purposes of advancing to the employee the issue price of the shares subscribed for under the plan.

No shares were issued under this plan during the year. The total number of employee shares on issue at Balance Date was 333,332.

The Company made an interest free, non-recourse loan in accordance with the terms of the plan, equal to the full issue price of the shares on issue under the plan ($225,000). At 30 June 2001, the market price of the employee shares on issue was 9.5 cents per share ($31,667). The loan was repayable on or before 30 November 2000 but has not been called for repayment due to the current low share price. However, repayment of the loan may be called at any time.

The Company granted 5,250,000 unlisted options exercisable at 84 cents each on or before 30 June 2002 to directors and executives of the Company in the previous financial year as part of an employee incentive plan approved by shareholders at a general meeting of the Company on 17 August 1999. No amount was payable on grant of the options and no further options can be issued pursuant to this plan.

NOTE 26 – EMPLOYEE ENTITLEMENTS
AND SUPERANNUATION COMMITMENTS (Continued)

d) SUPERANNUATION COMMITMENTS

Employees contribute to their own superannuation plans at various percentages of their salaries and wages and the end benefit is determined by accumulation of contributions and earnings of the fund.

The Consolidated Entity also contributed to staff superannuation plans during the financial year at a rate of 8% of employees' wages and salaries as required by the Superannuation Guarantee Legislation.

These contributions are legally enforceable only where payable in terms of a ratified award obligation or under the Superannuation Guarantee Legislation.

NOTE 27 – EARNINGS PER SHARE

	Consolidated Entity **2001**	Consolidated Entity 2000
Basic earnings/(loss) per share (cents per share)	**(15.17)**	(30.97)
Diluted earnings/(loss) per share (cents per share)	**(15.17)**	(30.97)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**84,976,932**	62,224,320

NOTE 28 – REMUNERATION OF AUDITORS

	Consolidated		Surfboard Limited	
	2001	2000	**2001**	2000
	$	$	**$**	$
The following total remuneration was received, or is due and receivable, by the auditors of the Company and Consolidated Entity in respect of:				
– Auditing the accounts	**37,000**	61,000	**37,000**	31,000
– Providing other services	**109,396**	87,894	**70,365**	72,469
	146,396	148,894	**107,365**	103,469

NOTE 29 – SUBSEQUENT EVENTS

The following significant events occurred subsequent to Balance Date:

i) On 20 and 21 September 2001, the Company initiated a trading halt in its shares.

ii) On 24 September 2001, the Company lifted its halt and announced to the market:

a. That it was in discussions with Senetas Corporation Limited and other companies regarding possible merger or ventures, but that such discussions were on-going and incomplete.

b. That during the trading halt it had received a notice from ANZ Nominees Limited regarding the nominations of Anthony Bohnenn and Anthony Simari as Directors at the next general meeting.
The notice regarding directors was submitted to the Company's counsel for review.

iii) On 22 September 2001, Gary Douglas was appointed as an Additional Company Secretary, and as Alternate Director to Philip Brown.

There is no financial effect of these events as at Balance Date.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
   a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
      i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
      ii) complying with Accounting Standards and Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

signature

P J Biancardi
Chairman

Sydney, New South Wales
27 September 2001

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SURFBOARD LIMITED

SCOPE

We have audited the financial report of Surfboard Limited for the financial year ended 30 June 2001, as set out on pages 22 to 55 including the Directors' Declaration. The financial report includes the financial statements of Surfboard Limited and the consolidated financial statements of the Consolidated Entity comprising Surfboard Limited and the entities it controlled at year's end or from time-to-time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position and performance as represented by the results of their operations and their cash flows.

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

AUDIT OPINION

In our opinion, the financial statements of Surfboard Limited is in accordance with

a) The Corporations Act including:
   i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
   ii) complying with Accounting Standards and the Corporations Regulations; and
b) other mandatory professional reporting requirements.

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This opinion relates to the financial report of Surfboard Limited for the year ended 30 June 2001 included on the Surfboard Limited web site. The Company's directors are responsible for the integrity of the Surfboard Limited web site. We have not been engaged to report on the integrity of the Surfboard Limited web site. The report refers only to the statements named above. It does not provide an opinion on any other information that may have been hyper linked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the financial report presented on this web site.

signature

Ernst & Young

signature

M Elliott
Partner

Sydney, New South Wales
27 September 2001

SHAREHOLDER INFORMATION
AT 11 SEPTEMBER 2001

ORDINARY SHARES

1. DISTRIBUTION OF SHAREHOLDERS

a) Analysis of number of shareholders by size and holding:

Category of Shareholding	Number of Shareholders
1 – 1,000	192
1,001 – 5,000	433
5,001 – 10,000	202
10,001 – 100,000	221
100,001 – and over	49
Total	1,097

b) There are 576 holders of ordinary shares each holding less than a marketable parcel.

2. TOP TWENTY SHAREHOLDERS

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

Name	Number	%
ANZ Nominees Limited	34,414,319	40.50
National Nominees Limited	7,594,868	8.94
Callanish Interests Pty Ltd**	5,681,683	6.69
Hortvest Holdings Pty Ltd***	3,026,121	3.56
Zero Nominees Pty Ltd	2,140,000	2.52
Dr Salim Cassim	2,001,893	2.36
Sea Dynamics Pty Ltd*	1,893,896	2.23
Mr Derek Condell*	1,893,893	2.23
Second Berry Pty Ltd*	1,893,893	2.23
King Chong Chai	1,767,650	2.08
Blackmort Nominees Pty Ltd	1,300,000	1.53
PricewaterhouseCoopers Securities Limited	965,878	1.14
Senetas Corporation Limited	962,856	1.13
Whitloyd Nominees Pty Limited	915,200	1.08
Mr James Ng	774,500	0.91
Citicorp Nominees Pty Ltd	686,492	0.81
Exchange Nominees Pty Ltd	555,500	0.65
Mr Edward Yi	550,000	0.65
Colvic Pty Ltd	391,019	0.46
Alexander Nutter	366,666	0.43
	69,776,327	82.11

**Subject to escrow, restricting trading in these securities until 19 May 2002.*

***Subject to escrow, restricting trading in these securities until 16 October 2002.*

****1,526,121 of these securities are subject to escrow, restricting trading in them until 19 May 2002.*

ORDINARY SHARES (Continued)

3. RESTRICTED SECURITIES

The Company has 12,907,166 ordinary fully paid shares on issue that are subject to restriction agreements. 7,225,783 of these shares are escrowed until 19 May 2002 and 5,681,383 until 16 October 2002.

4. VOTING RIGHTS

In accordance with Article 9.22 of the Company's Constitution, subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

a) on a show of hands, every member present in person and each other person present as a proxy, attorney or representative of a member has one vote; and
b) on a poll, each member present in person has one vote for each fully paid share held by the member and each person present as a proxy, attorney or representative of a member has one vote for each fully paid share held by the member that the person represents,

but a member is not entitled to vote at a general meeting in respect of shares which are the subject of a current restriction agreement for so long as any breach of that agreement subsists.

5. SUBSTANTIAL SHAREHOLDERS

An extract of the Company's Register of Substantial Shareholders is set out below:

Name	Number (fully paid Shares)	% (fully paid shares)
Ludger Kohmascher	6,695,000	7.88
Callanish Interests Pty Ltd and its associates Donald Hagans and Jane McKellar	5,681,683	6.686
Sea Dynamics Pty Ltd and its associates Derek Condell, Kristine Condell and Second Berry Pty Ltd	5,681,682	6.686
Surfboard Limited and its Associates	24,612,250	28.963
Anthony Bohnenn	8,663,313	10.195

SHARE OPTIONS – EXPIRING 31 DECEMBER 2001

1. DISTRIBUTION OF OPTION HOLDERS

a) Analysis of number of option holders by size and holding:

Category of Option Holding	Number of Option Holders
1 – 1,000	294
1,001 – 5,000	361
5,001 – 10,000	109
10,001 – 100,000	160
100,001 – and over	41
Total	965

2. TOP TWENTY OPTION HOLDERS

The twenty largest holders of 80 cent options expiring 31 December 2001 are listed below:

Name	Number	%
ANZ Nominees Limited	10,545,770	24.80
National Nominees Limited	6,681,574	15.71
Callanish Interests Pty Ltd**	2,852,931	6.71
Hortvest Holdings Pty Ltd*	1,519,500	3.57
Johnson Taylor Potter Nominees Pty Ltd	1,434,833	3.37
Sea Dynamics Pty Ltd*	950,978	2.24
Derek Condell*	950,977	2.24
Second Berry Pty Ltd*	950,977	2.24
King Chong Chai	883,825	2.08
Johannes Petrus Jozef DeVetten	806,662	1.90
Dr Salim Cassim	766,734	1.80
Ju Hee Yi	670,000	1.58
Blackmort Nominees Pty Ltd	500,000	1.18
PricewaterhouseCoopers Securities Limited	484,994	1.14
Senetas Corporation Limited	483,477	1.14
Citicorp Nominees Pty Ltd	362,173	0.85
Joseph & Joanne Surace	340,000	0.80
Saltbush Nominees Pty Ltd	332,056	0.78
Denman Pty Ltd	300,000	0.71
Whitloyd Nominees Pty Ltd	300,000	0.71
	32,117,461	75.54

**Subject to escrow, restricting trading in these securities until 19 May 2002.*
***Subject to escrow, restricting trading in these securities until 16 October 2002.*

3. RESTRICTED SECURITIES

The Company has 7,322,655 options expiring 31 December 2001 on issue that are subject to restriction agreements. 4,469,724 of these options are escrowed until 19 May 2002 and 2,852,931 until 16 October 2002.

UNQUOTED SECURITIES

a) The Company has the following unquoted securities on issue at 30 June 2001:

Class of Security	No. of Securities on Issue	No. of Security Holders
84 cent options expiring 30 June 2002	7,144,615	47
Preference Shares	100,000,000	40

b) Persons holding 20% or more of a class of unquoted securities where such persons did not acquire their interest pursuant to an employee incentive scheme are as follows:

Security Holder	Class of Security	No. of Securities Held	% of Securities in that Class
Callanish Interests Pty Ltd	Preference shares	26,830,168*	26.83%

**Subject to escrow, restricting trading in these securities until 16 October 2002. Upon conversion into ordinary shares only 75% of the ordinary shares issued remain subject to the restriction agreement. The balance of the ordinary shares issued are fully tradeable.*

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DESIGNED BY MILLER HARE