

KRZ

KALREZ ENERGY NL

ACN: 000 753 640

ANNUAL REPORT

2000

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CORPORATE DIRECTORY

DIRECTORS

Hersh Solomon MAJTELES LLB (Chairman)
Russell BRIMAGE
Robert John COLLINS DpAcc

AUDITORS

Stanton Partners
Accountants
1 Havelock Street
West Perth WA 6005

COMPANY SECRETARIES

Bruce R McCULLAGH CPA, ACIS

BANKERS

Challenge Banking Corporation
40 St Georges Terrace
Perth WA 6000

REGISTERED OFFICE

1st Floor, 8 Parliament Place
West Perth WA 6005
Telephone: (08) 9481 7833
Facsimile: (08) 9481 7835
Email: kalrez@kalrez.com.au

SHARE REGISTRY

National Registry Services Pty Ltd
Level 1 CML Building
55 St Georges Terrace
Perth WA 6000
Telephone: (08) 9220 4750
Facsimile: (08) 9220 4755

AUDITORS' REPORT

**KALREZ ENERGY NL
SHAREHOLDER INFORMATION**

1. Distribution of Shareholders

As at 20 September 2000 the distribution of members and their shareholdings were:-

(a) Fully Paid Shareholders

Range	No. of Fully Paid Shareholders	Shares Held	Percent
1 - 1,000	71	40,676	0.01
1,001 - 5,000	998	3,105,029	0.59
5,001 - 10,000	746	6,065,530	1.15
10,001 - 100,000	3,158	141,954,372	26.96
100,001 - over	931	375,278,496	71.29
	5,904	526,444,103	100.00
	5,904	526,444,103	100.00

(b) Partly Paid Shareholders

Range	No of Partly Paid Shareholders	Shares Held	Percent
1 - 1,000	81	44,584	0.15
1,001 - 5,000	166	461,566	1.54
5,001 - 10,000	37	282,077	0.94
10,001 - 100,000	44	1,930,748	6.44
over - 100,001	24	27,267,075	90.93
Total:	352	29,986,050	100.00
	352	29,986,050	100.00

(c) The number of shareholders with less than a marketable parcel of shares is:

Fully paid ordinary shares	No 2,282
Partly paid ordinary shares	313

3. Voting Rights

There were 5,904 holders of fully paid ordinary shares who on a poll have one vote for each share held. There were 352 holders of partly paid shares who on a poll have pro-rata voting rights based on the extent of paid up capital.

**KALREZ ENERGY NL
SHAREHOLDER INFORMATION**

Twenty Largest Security Holders

The names of the 20 largest security holders of each class of equity security as at 20 September 2000 are listed below.

Ordinary Shares

Name	Number	%
Exchange Nominee Pty Ltd	12,765,000	2.42
Creston Pty Ltd	8,063,333	1.53
Bennett & Bennett Pty Ltd	7,125,000	1.35
Merrill Lynch (Australia)	6,959,220	1.32
Rodney Noel Sweetman & Barbara Anne Sweetman	6,000,000	1.14
Australian United Gold NL	5,258,667	1.00
Northlight Nominees Pty Ltd	5,000,000	0.95
Fogbell Nominees Pty Ltd	4,523,000	0.86
Russell Ernest Brimage	4,420,000	0.84
Roger Kenneth Whyte & Margaret Marie Whyte	4,000,073	0.76
Harold Schur	3,995,500	0.76
National Nominees Limited	3,635,833	0.69
ANZ Nominees Limited	3,277,501	0.62
Erlacc Nominees Pty Ltd	3,200,082	0.61
Erlup Nominees Pty Ltd	2,733,149	0.52
Elcos Pty Ltd	2,650,000	0.50
Toltech Holdings Pty Ltd	2,500,000	0.47
Millie Nominees Pty Ltd	2,400,000	0.46
Raymond Lawson	2,250,000	0.43
John Rudd	2,200,000	0.42
	-----	-----
Total	92,956,358	17.66
	=====	=====

Partly Paid Shares

Name	Number	%
Bow Lane Nominees Pty Ltd	12,250,000	40.85
Dagana Pty Ltd	4,169,890	13.91
Cetro Pty Limited	1,351,223	4.51
Australian United Gold NL	1,314,667	4.38
Robert John McCauley	1,139,101	3.80
Keith Martin Pickard	1,000,000	3.33
Anthony John Jones	1,000,000	3.33
MLP Nominees Pty Ltd	500,000	1.67
Rebaque Pty Limited	500,000	1.67
Kieran Martin Frawley & Patrick Frawley & Michael Nanscawen	500,000	1.67
Scott William Thow	400,000	1.33
Neil Robert Welsh	367,004	1.22
Bennett & Bennett Pty Ltd	350,000	1.17
Peter Rubinstein	343,667	1.15
Baras Rizal Pty Ltd 300,000	1.00	
Riveroak Holdings Pty Ltd	251,628	0.84
Chiv Duc Thai	250,000	0.83
Dennis Benjamin & Idit Benjamin	250,000	0.83
George Frintzilas	223,167	0.74
Elizabeth Sutherland	200,000	0.67
	-----	-----
Total	26,660,347	88.91
	=====	=====

**KALREZ ENERGY NL
SHAREHOLDER INFORMATION**

5. OPTIONHOLDERS

(a) Distribution of Optionholders as at 20 September 2000:-

Size of Holding	Number of Holders	Options Held	%
1 - 1,000	81	62,598	0.02
1,001 - 5,000	366	1,147,150	0.36
5,001 - 10,000	208	1,729,572	0.54
10,001 - 100,000	788	39026,980	12.17
100,001 and over	522	278,820,027	86.92
	----- 1,965 =====	----- 320,786,327 =====	----- 100.00 =====

There are 58 optionholders who hold less than a marketable parcel.

(b) **Optionholder**

	Number of Options Held	% of Options Held
Pata Nominees Pty Ltd	46,391,816	14.46
Overnight Nominees Pty Ltd	6,262,214	1.95
Whitechurch Developments Pty Ltd	5,000,000	1.56
Dietmar Richard Bottcher	4,270,000	1.33
Bryce Procter	3,270,000	1.02
Atlantic Securities	3,070,000	0.96
Johan Soekwanto	3,000,000	0.94
Jorac Pty Ltd 2,950,000	0.92	
O'Dwyer Technology Training Pty Ltd	2,900,000	0.90
Navag Property Group Pty Ltd	2,800,000	0.87
Yu Bei Tan	2,487,502	0.78
Mui Huang Cheah	2,315,277	0.72
Raymond Lawson	2,250,000	0.70
Soheil Taheri	2,240,000	0.70
Semyon Litinetsky & Daniel Litinetsky	2,200,000	0.69
Bennett & Bennett Pty Ltd 2,075,000	0.65	
Acanthus Investments Pty Limited	2,000,000	0.62
Keith Martin Pickard	2,000,000	0.62
Gregg Taylor	1,900,000	0.59
Leonard William Jones & Lynden Paige Jones	1,850,000	0.58
Total	----- 101,231,809 =====	----- 31.56 =====

DIRECTORS' REPORT

The Directors of Kalrez Energy NL (chief entity) submit the consolidated Financial Accounts of the economic entity (comprising Kalrez Energy NL and the entities it controlled during the financial year) for the year ended 30 June 2000.

DIRECTORS

The following persons hold office as Directors of the Company at the date of this report:-

Hersh Solomon Majteles	Chairman
Russell Brimage	Executive Director
Robert John Collins	Finance Director

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year was the strategic investment by the Company into the petroleum industry.

RESULTS

The consolidated profit for the financial year after providing for income tax amounted to \$201,483. (1999: Loss of \$979,128).

DIVIDENDS

Since the end of the previous financial year, no dividend has been declared or paid by the economic entity. The Directors do not recommend the payment of a dividend.

LIKELY DEVELOPMENTS AND REVIEW OF OPERATIONS

The economic entity is investigating other avenues to add value to the company by appraising additional petroleum investments in Indonesia.

INFORMATION ON DIRECTORS

(a) Qualifications, experience and special responsibilities:-

- (i) Hersh Solomon MAJTELES LLB
Mr Majteles has a Bachelor of Law Degree (University of WA) and is a solicitor in private practice in Western Australia. Mr Majteles has extensive experience in general commercial law. He is also a Director of Australian United Gold NL.

- (ii) Russell BRIMAGE
Mr Brimage is of Australian nationality, with 27 years experience in oil and gas drilling and production throughout South East Asia. He was a founding director of Oilserv Australia Ltd, a company providing drilling, well testing and production services. Oilserv remains a major contract operator of oil and gas fields in Australia, providing field management, site specific equipment and specialist personnel to operators on contract terms.

Prior to joining Kalrez Energy NL, he was Chief Executive of Western Resources NL and General Manager of a Western Australian gas field operator. Western Resources acquired four Production Sharing Contracts in Indonesia between 1995 and 1997 and his wealth of experience in Indonesia will provide invaluable support for KRZ's move into the oil and gas sector in South East Asia.

DIRECTORS' REPORT

(iii) Robert John COLLINS Dp.Acc

Mr Collins was principal in his own accounting practice in Perth for over 20 years and has extensive experience in financial and general commercial matters. In 1990, he retired from practice and joined Kalrez Energy NL (then Kalgoorlie Resources NL) as Finance Director. He has held board positions in listed companies for over 19 years.

(b) Relevant interests in shares of the chief entity at the date of this report are as follows:-

Name	Shares Directly	Shares Indirectly	Options Directly
H S Majteles	4,000	2,000,000	-
R J Collins	2,000	-	-
R. Brimage	4,500,000	-	1,500,000

(c) Directors' interest in contracts:-

No Director has an interest, whether directly or indirectly, in a contract or proposed contract with the chief entity.

(d) Emoluments of board members and senior executives:-

The level of fees paid to Directors is influenced by comparing fees paid to directors in other companies within the exploration industry, and then set at a level to attract qualified people to accept the responsibilities of directorship. Details of the nature and amount of each element of the emoluments of each Director of Kalrez Energy NL are set out below:

Name	Directors Fee \$	Superannuation \$	Consulting Fee \$	Total \$
H S Majteles, Chairman	18,000	-	15,348	33,348
R J Collins	14,000	980	86,100	101,080
R Brimage	14,000	-	197,733	211,733

The company does not have any Officers or senior executives, other than the Directors. The Board undertakes an Annual Review of it's performance against goals set at the commencement of the year.

ENVIRONMENT

The economic entities objective is to ensure that the highest standard of environmental care is achieved and maintained.

SIGNIFICANT CHANGES TO STATE OF AFFAIRS

There have not been any significant changes in the state of affairs of the Company during the financial year.

SHARES

During the year 57,599,311 shares were issued @ 3.75 cents (together with a free attaching option) raising \$2,159,974.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the chief entity's Directors held during the year ended 30 June 2000 and the number of meetings attended by each Director.

Name:	Eligible to Attend	Attended
H S Majteles	6	6
R J Collins	6	6
R Brimage	6	4

The chief entity does not have a formally appointed audit committee, as all Directors are involved in all activities of the Company and the size and scope of operations does not warrant its formation.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

At the Annual General Meeting held on November 19 1999 Mr H S Majteles retired by rotation as a Director, in accordance with the Articles of Association and, being eligible, offered himself for re-election, and was re-elected.

At the Annual General Meeting to be held on November 20 2000 Mr R E Brimage retires as a Director, in accordance with the Articles of Association and being eligible, offers himself for re-election.

OPTIONS

During the year 57,599,311 options were issued to subscribe for ordinary fully paid shares in the capital of the company, exercisable at 20 cents on or before 30 June 2003.

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

DIRECTORS' BENEFITS

Except as detailed in Note 17, no Director of the chief entity has received or become entitled to receive during or since the end of the previous financial year, any benefit (other than a benefit included in the aggregate amounts of emoluments received or due and receivable by Directors shown in the financial statements or the fixed salary of a full time employee of the chief entity or of a related corporation) by reason of a contract made by the chief entity or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

The Company has paid a premium in respect of a policy for Directors and Officers liability insurance which includes the current Directors named above, and the two Company Secretaries, Messrs RJ Collins and BR McCullagh. The liabilities insured, include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, or a related body corporate.

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

R J Collins
DIRECTOR

Dated this 29th day of September 2000
Perth, Western Australia

**PROFIT & LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000**

	Note	Consolidated		Chief Entity	
		2000 \$	1999 \$	2000 \$	1999 \$
Operating revenue	2	6,476,147	2,179,000	-	-
Other revenue	2	643,402	244,167	54,818	244,167
Total Revenue		<u>7,119,549</u>	<u>2,423,167</u>	<u>54,818</u>	<u>244,167</u>
Operating profit/(loss) before income tax	2,3	201,483	(979,128)	(581,184)	(901,389)
Income tax benefit/expense	4	-	-	-	-
Operating profit (loss) after income tax		<u>201,483</u>	<u>(979,128)</u>	<u>(581,184)</u>	<u>(901,389)</u>
Accumulated losses at the beginning of the financial year		(16,729,475)	(15,924,346)	(16,651,736)	(15,924,346)
Trasfer from capital profits reserve		-	173,999	-	173,999
Accumulated losses at the end of the financial year		<u>(16,527,992)</u>	<u>(16,729,475)</u>	<u>(17,232,920)</u>	<u>(16,651,736)</u>

The accompanying notes form part of these financial statements

**BALANCE SHEET
AS AT 30 JUNE 2000**

	Note	Consolidated		Chief Entity	
		2000	1999	2000	1999
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	6	5,872,242	2,031,731	4,650,242	1,786,943
Receivables	7	225,883	753,715	11,672	1703
Inventories	8	2,086,739	1,086,500	-	-
Other	7	84,553	45,574	-	-
		-----	-----	-----	-----
TOTAL CURRENT ASSETS		8,269,417	3,917,520	4,661,914	1,788,646
		-----	-----	-----	-----
NON-CURRENT ASSETS					
Fixed Assets	9	840,708	509,405	23,395	32,274
Investments	10	318,433	352,275	318,435	352,277
Receivables	7	-	-	3,105,121	1,721,045
		-----	-----	-----	-----
TOTAL NON-CURRENT ASSETS		1,159,141	861,680	3,446,951	2,105,596
		-----	-----	-----	-----
TOTAL ASSETS		9,428,558	4,779,200	8,108,865	3,894,242
		-----	-----	-----	-----
CURRENT LIABILITIES					
Accounts Payable	11	3,513,701	1,225,800	35,792	263,104
Intercompany Liability	11	-	-	2,863,144	-
		-----	-----	-----	-----
TOTAL CURRENT LIABILITIES		3,513,701	1,225,800	2,898,936	263,104
		-----	-----	-----	-----
TOTAL LIABILITIES		3,513,701	1,225,800	2,898,936	263,104
		-----	-----	-----	-----
NET ASSETS		5,914,857	3,553,400	5,209,929	3,631,138
		=====	=====	=====	=====
ISSUED EQUITY					
Issued Capital	12	22,442,849	20,282,875	22,442,849	20,282,874
Reserves	13	-	-	-	-
Accumulated losses		(16,527,992)	(16,729,475)	(17,232,920)	(16,651,736)
		-----	-----	-----	-----
TOTAL EQUITY		5,914,857	3,553,400	5,209,929	3,631,138
		=====	=====	=====	=====

The accompanying notes form part of these financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

	Note	Consolidated		Chief Entity	
		2000	1999	2000	1999
		\$	\$	\$	\$
Cashflow from operating activities					
Payments to suppliers & employees		(5,273,926)	(3,040,474)	(541,525)	(737,768)
Interest received		62,012	66,784	62,012	66,784
Other expense		39,270	176,148	(17,163)	176,148
Petroleum Sales		7,129,937	1,479,000	-	-
		-----	-----	-----	-----
Net cash inflow/(outflow) from operating activities	19(b)	1,957,293	(1,318,542)	(496,676)	(494,836)
		-----	-----	-----	-----
Cashflow from investing activities					
Payment for petroleum investment		-	(471,169)	-	(2,390,675)
(Payments) Receipts for plant and equipment	11,767	11,767	(148,010)	(3,700)	(29,017)
Funds received from subsidiary petroleum company		-	-	2,193,513	732,019
Exploration expenditure		(288,524)	(180,446)	(275,368)	(180,446)
Loan to subsidiary company		-	-	(714,445)	-
		-----	-----	-----	-----
Net cash outflow from investing activities		(276,757)	(799,625)	1,200,000	(1,868,119)
		-----	-----	-----	-----
Cashflow from financing activities					
Proceeds from issue of shares and options		2,159,975	3,530,000	2,159,975	3,530,000
Share placement fees		-	(127,842)	-	(127,842)
		-----	-----	-----	-----
Net cash inflow from financing activities		2,159,975	3,402,158	2,159,975	3,402,158
		-----	-----	-----	-----
Net (decrease)/increase in cash held		3,840,511	1,283,991	2,863,299	1,039,203
Cash at the beginning of the financial year		2,031,731	747,740	1,786,943	747,740
		-----	-----	-----	-----
Cash at end of the financial year	19(a)	5,872,242	2,031,731	4,650,242	1,786,943
		=====	=====	=====	=====

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

1. Summary of Accounting Policies & Methods

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Law. The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with the previous year.

The significant accounting policies which have been adopted in the preparation of the financial statements are:-

(a) Historical Cost

The financial statements are prepared in accordance with the historical cost convention except for certain assets, which as noted, are at valuation.

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Kalrez Energy NL as at 30 June 2000 and the results of all its controlled entities for the year then ended, except as referred to above. Kalrez Energy NL and its controlled entities together are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full.

Where control of any entity is obtained during a financial period, its results are included in the consolidated profit and loss account from the date on which control commences. Where control of an entity ceases during a financial period its results are included for that part of the period during which control exists. A list of controlled entities is contained in Note 10(c).

(c) Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. Equipment is written off over a period of three to seven years.

(d) Mineral and Petroleum Exploration and Evaluation Expenditure

Exploration and evaluation costs relating to an area of interest are carried forward provided the rights to tenure of the area of interest are current, and provided further that either:-

- (i) it is expected that the expenditure will be recovered through successful development and exploitation of the area of interest, or alternatively by its sale, or
- (ii) exploration and/or evaluation activities in the area of interest have not yet 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 are continuing.

(e) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account 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 can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(f) Interests in Joint Ventures

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

The proportion of assets, liabilities, expenses and revenues attributable to the interests of the economic entity in joint ventures is incorporated in the financial statements under the appropriate headings.

(g) Investments

Investments in listed and unlisted securities are brought to account at cost less any amounts for the permanent diminution in the value of the investment. Dividend income is recognised in the profit and loss account when received.

(h) Earnings per share

(i) Basic Earnings Per Share

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

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares.

(i) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions and bank bills net of bank overdrafts

(j) Comparative Figures

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

(k) Inventories

Inventory of Petroleum is valued at the lower of cost and net realisable value.

Cost comprises direct material, labour and transportation expenditure in getting such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure, based on weighted average costs incurred during the period in which such inventories were produced.

Net realisable value is the amount estimated to be obtained from sale of the inventory item in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such items are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their deposit.

(l) Revenue Recognition

Amounts are recognised as sales revenue when, but only when, there has been a passing of risk to a customer, and

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the producer;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the product has been despatched to the customer and is no longer under physical control of the producer (or property in the product has earlier passed to the customer); and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer. Certain sales are initially recognised at estimated sales value when the product is shipped. Adjustments are made for variations in metal price, assay, weight and currency between the time of shipment and the time final settlement of sales proceeds.

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

(m) Royalties and Other Mining Imposts

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises. Profit-based royalties are accrued on a basis which matches the annual royalty expense with the profits on which the royalties are assessed (after allowing for permanent differences).

(n) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental of the acquisition. Where shares are issued in an acquisition, the value of the shares is determined by reference to the fair value of the asset acquired, including goodwill where applicable.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure, development properties or mine properties based on the stage of development reached at the date of acquisition. Assets acquired may also include mineral reserves, mineral resources and unexplored and unevaluated acreage.

(o) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Company 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.

(p) Maintenance and Repairs

Maintenance, repair costs and minor renewal are charged as expenses as incurred. Where the economic benefit of major overhauls will be realised over more than one accounting period, the costs are capitalised and amortised over the life of the asset or until the next major overhaul, whichever is the shortest.

(q) 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. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific nexus with the development property.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

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 the property, is reasonably assured.

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

(r) Mine Properties

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

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

Amortisation of costs are provided on the unit-of-production method with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount that excess is fully provided against/written off in the financial year in which this is determined.

(s) Restoration, Rehabilitation and Environmental Expenditure

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. Ongoing costs are expensed.

Restoration, rehabilitation and environmental expenditure to be incurred during the production phase of operations is accrued when the need for such expenditure is established, and then written off as part of the cost of production of the mine property concern. Significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production at each mine property is accrued, in proportion to production, when its extent can be reasonably estimated.

The Company has certain obligations for restoration and rehabilitation of mining areas following the completion of production. Such obligations are being accrued in proportion to production and the accrual will be adequate to meet those obligations once production from the mineral resource is completed. The costs are based on current legal requirements and technology. Costs relate to restoration of land, including waste site closures, but exclude plant closure costs. Changes in estimates are dealt with on a prospective basis.

(t) Foreign Currency Translation

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange difference are brought to account in determining the profit or loss for the year.

(ii) Specific Commitments

Hedging is undertaken in order to avoid or minimize possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the profit and loss statement over the lives of the hedges.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction.

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

If a hedge transaction relating to a commitment for the purchase or sale of goods or services is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur, the gains and losses that arise on the hedge prior to its redesignation are deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur, the gains and losses that arise on the hedge prior to its redesignation are recognised in the profit and loss statement at the date of the redesignation.

(iii) General Commitments

Exchange gains or losses on other hedge transactions are brought to account in the profit and loss statement in the financial year in which the exchange rates change. Gains or costs arising on entry into hedges of general commitments are brought to account at the time of entry into the hedges and are amortised over the lives of the hedges.

(iv) Speculative Transactions

Gains and losses on speculative foreign currency transactions are brought to account as they arise. These gains and losses are measured by reference to movements in the forward exchange rates for the relevant currencies.

(v) Foreign Controlled Entity

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

As the foreign controlled entity is self-sustaining, its assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while its revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

The foreign controlled entity is based in Indonesia, which, in common with a number of Asian countries, has suffered a severe economic downturn and a significant weakening of its currency. The directors have assessed these matters and consider that it is still appropriate to treat the controlled entity as self-sustaining. They also believe the carrying amount of the investment in the parent entity's financial statements does not exceed its recoverable amount.

	Consolidated		Chief Entity	
	2000	1999	2000	1999
	\$	\$	\$	\$
2. Operating and Other Revenue				
Operating				
Petroleum Sales	6,476,147	2,179,000	-	-
Other Revenue				
Interest Income	71,981	68,019	71,981	68,019
Foreign Exchange Gain	571,421	176,148	91,738	176,148
	-----	-----	-----	-----
	7,119,549	2,423,167	163,719	244,167
	=====	=====	=====	=====
3. Operating Loss				
Operating loss before income tax is arrived at after:-				
Crediting:				
Petroleum sales	6,476,147	2,179,000	-	-
Interest received from other persons	71,981	68,019	71,981	68,019
Other income	571,421	176,148	91,738	176,148
	=====	=====	=====	=====
Charging:				
Petroleum production expenses	4,364,343	1,947,431	-	-
Depreciation of property, plant and equipment	189,080	115,805	12,579	2,744
Exploration expenditure	288,524	408,896	275,368	408,896
Provision for diminution (gain) in value of investments	33,842	(138,637)	33,842	(138,637)
Placement fees	-	127,842	-	127,842
	=====	=====	=====	=====

	Consolidated		Chief Entity	
	2000	1999	2000	1999
	\$	\$	\$	\$

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

4. Income Tax

Reconciliation of prima facie income tax benefit on operating loss to income tax as provided in the financial statements

Operating profit/(loss)	201,483	(979,128)	(581,184)	(901,389)
	=====	=====	=====	=====
Prima facie income tax benefit thereon at 36%	72,534	(352,486)	(209,226)	(324,500)
Adjusted for the tax effect of:				
Permanent differences:				
Share Placement fees	-	46,023	-	46,023
Exploration expenditure written off	-	-	-	-
Provision for diminution in value of investments	12,183	(49,909)	12,183	(49,909)
Provision for write down of loan to subsidiary	-	-	-	-
Legal and other non deductibles	4,073	11,227	4,073	11,227
Deferred assessable income overseas	(109,026)	-	-	-
	-----	-----	-----	-----
	(20,236)	(345,145)	(192,970)	(317,159)
	-----	-----	-----	-----
Tax losses not brought to account	(20,236)	(345,145)	(192,970)	(317,159)
	-----	-----	-----	-----
Income tax benefit	-	-	-	-
	=====	=====	=====	=====

As of 30 June 2000 the chief entity has carried forward tax losses estimated at \$1,500,000. The benefit of these losses is not brought to account as realisation is not certain. The benefit will only be obtained if:-

- (i) The chief entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised.
- (ii) The chief entity continues to comply with the conditions for deductibility imposed by the Law; and
- (iii) No changes in tax legislation adversely affect the chief entity in realising the benefits for the deductions for the losses.

5. Auditors' Remuneration

Amounts received or due and receivable by the Company's auditors for:-

Auditing financial statements	11,750	15,505	11,750	15,505
Other services	9,435	4,800	9,435	4,800
	-----	-----	-----	-----
	21,185	20,305	21,185	20,305
	=====	=====	=====	=====

Consolidated		Chief Entity	
2000	1999	2000	1999
\$	\$	\$	\$

6. Cash

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

Deposit - at call	2,191,781	21,756	2,191,781	21,756
Cash at bank	1,780,592	1,496,944	558,592	1,252,156
Bank bills - at call	1,899,869	513,031	1,899,869	513,031
	<u>5,872,242</u>	<u>2,031,731</u>	<u>4,650,242</u>	<u>1,786,943</u>
	=====	=====	=====	=====
7. Receivables				
Current				
Debtors	225,883	724,193	11,672	1,703
Deposits	8,699	29,522	-	-
Prepayments	75,854	45,574	-	-
	<u>310,436</u>	<u>799,289</u>	<u>11,672</u>	<u>1,703</u>
	=====	=====	=====	=====
Non-Current				
Owing by Kalrez Petroleum Seram Ltd	-	-	2,390,676	1,721,045
Owing by Oxford Mining NL	-	-	988,436	273,991
Less: Provision for doubtful debts	-	-	(273,991)	(273,991)
	<u>-</u>	<u>-</u>	<u>3,105,121</u>	<u>1,721,045</u>
	=====	=====	=====	=====
8. Inventories				
Stores	67,739	386,500	-	-
Oil Stock	2,019,000	700,000	-	-
	<u>2,086,739</u>	<u>1,086,500</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
9. Non-Current Assets				
Petroleum operation evaluation and exploration	13,642,738	6,043,057	-	-
Less: provision for depletion	(12,834,118)	(5,571,888)	-	-
	<u>808,620</u>	<u>471,169</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
Equipment	65,615	61,082	42,934	39,234
Less: provision for depreciation	(33,527)	(22,846)	(19,539)	(6,960)
	<u>32,088</u>	<u>38,236</u>	<u>23,395</u>	<u>32,274</u>
	=====	=====	=====	=====
Net petroleum and equipment	<u>840,708</u>	<u>509,405</u>	<u>23,395</u>	<u>32,274</u>
	=====	=====	=====	=====

Consolidated
2000 **1999**
\$ **\$**

Chief Entity
2000 **1999**
\$ **\$**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

10. Investments

(a)	Investments listed on prescribed stock exchanges - at cost	397,275	397,275	397,275	397,275
	Less:				
	provision for diminution in value	(78,842)	(45,000)	(78,842)	(45,000)
		-----	-----	-----	-----
		318,433	352,275	318,433	352,275
		=====	=====	=====	=====
	The aggregate market value of investments listed on prescribed stock exchanges at 30 June	318,433	352,275	318,433	352,275
		=====	=====	=====	=====

The market value at the date of the Directors Statement was \$315,797.

- (b) Details of acquisition of Kalrez Petroleum Seram Ltd as at December 31 1998 are as follows:

For value of identifiable net assets of controlled entity.

Cash	4,730,077
Receivables	228,190
Inventories	491,971
Development Exploration and Production	551,977
Account Payable	(4,358,491)
Loans	(1,643,724)

	0
Goodwill	2

Cash Consideration	2
	=====

The Company also paid \$2,390,673 to the vendors of Kalrez Petroleum Seram Ltd to pay loans as at 31 December 1998 of \$1,643,724, and additional loans made between 1st January 1999 and 31st March 1999 of \$746,949.

Shares in Controlled entities	-	-	2	2
(Refer Note 10(c))	=====	=====	=====	=====

- (c) **Controlled Entities**
Details of the Company's investments in controlled entities are as follows:-

Name	Place of Incorporation & Business	Percentage Owned		Share Investment	
		2000 %	1999 %	2000 \$	1999 \$
Oxford Mining NL	Western Australia	100	100	1	1
Kalrez Petroleum Seram Ltd	Hong Kong	100	100	1	1
				-----	-----
				2	2
				=====	=====

	Consolidated		Chief Entity
	2000	1999	2000
			1999

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

	\$	\$	\$	\$
11. Accounts Payable				
Current				
Sundry creditors and accruals	3,513,701	1,225,800	35,792	263,104
Intercompany - owing to Kalrez Petroleum (Seram) Ltd	-	-	2,863,144	-
	<u>3,513,701</u>	<u>1,225,800</u>	<u>2,898,936</u>	<u>263,104</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

12. Issued Capital

(a) Movements in Paid Up Capital

Date	Details	Number of Shares	Issue Price Cents	Amount \$
1 July 1998	Balance Ordinary Shares	200,678,126		50,158,196
	Balance - ordinary shares of 25 cents discounted by 19 cents and paid to 2.25 cents per share.	29,986,050		7,496,513
	Uncalled capital on 29,986,050		-	1,124,477
	Less: Discount on shares		-	<u>40,692,157</u>
		230,664,176		15,838,075
14 Dec 1998	Issued shares as compensation	5,000,000	2	100,000
8 Feb 1999	Issued shares for cash	150,000,000	2	3,000,000
9 Feb 1999	Issued shares for cash	26,500,000	2	530,000
	Share option reserve	-		810,400
	Forfeited share reserve	-		4,400
30 June 1999	Balance	<u>412,164,176</u>		<u>20,282,875</u>
May - June 2000	Issued shares for cash	57,599,311	3.75	2,159,974
30 June 2000	Balance	<u>469,763,487</u>		<u>22,442,849</u>

(b) Options over shares:-

As at 30 June 2000 the Company had 234,099,311 options on issue to subscribe for fully paid ordinary shares, on or before, 30 June 2003, at an exercise price of 20 cents per share.

13. Reserves

(a) Movements:

The reserves above were transferred to paid up capital during the 1999 year as a result of the change from par value to no par value.

(b) Movement in capital reserves:

Balance at 1st July 1999	-	988,798
--------------------------	---	---------

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

Less transfer to issued capital as result of elimination of par value for shares	-	(814,799)
Less transfer capital profit reserve to accumulated losses	-	(173,999)
	-----	-----
Balance at 30 June 2000	-	-
	=====	=====

14. Commitments

(i) Management Agreement

The Company has a management agreement with Kalgoorlie Mine Management Pty Ltd for the provision of management services of \$110,000 per annum. Charges are at commercial terms in accordance with a new agreement entered into on 1 August 1999 for a five year term.

15. Segment Reporting

	Australia	South East Asia	Consolidated
1999	\$	\$	\$
Sales to customers outside the consolidated entity	-	2,179,000	2,179,000
Other Revenue	244,167	-	244,167
	-----	-----	-----
	244,167	2,179,000	2,423,167
	=====	=====	=====
Segment Result	(569,598)	(409,530)	(979,128)
Unallocated expenses			
Consolidated operating loss before income tax and extraordinary item	-	-	(979,128)
Segment assets	2,173,195	2,606,005	4,779,200
Unallocated asset			
	-----	-----	-----
Total Asset	2,173,195	2,606,005	4,779,200
	=====	=====	=====
	Australia	South East Asia	Consolidated
2000	\$	\$	\$
Sales to customers outside the consolidated entity	-	6,476,147	6,476,147
Other Revenue	54,818	588,584	643,402
	-----	-----	-----
	54,818	7,064,731	7,119,549
	=====	=====	=====
Segment Result			
Unallocated expenses			
Consolidated operating (loss) profit Before income tax and extraordinary item	(581,184)	782,667	201,483

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

Segment assets	8,108,864	1,319,694	9,428,558
Unallocated asset			
	-----	-----	-----
Total Assets	8,108,864	1,319,694	9,428,558
	=====	=====	=====

16. Related Parties

- (a) The names of persons who held office as Directors of Kalrez Energy NL during the financial year were:-

Mr R J Collins Mr H S Majteles Mr R Brimage

- (b) Related Party Transactions:

Profit and Resource Management Pty Ltd, a company under the control of Mr R J Collins, received fees for the provision of consulting services during the year. The aggregate amount charged for such services was \$86,100 (1999: \$86,790).

PT Harmoni Jaya Semesta, a company under the control of Mr R Brimage, earned fees for the provision of consulting services during the year. The aggregate amount charged for such services was \$197,733 (1999: \$198,888).

Phillips Fox, a legal group associated with Mr H S Majteles earned fees for the provision of consulting services during the year. The aggregate amount charged for such services was \$15,348 (1999: NIL).

- (c) Transaction of Directors and Director-Related Entities concerning shares (including partly paid shares) or share options.

Aggregate numbers of shares and share options of Kalrez Energy NL acquired and disposed of by Directors and their Director-related entities from the Company were as follows:

	2000 Number	1999 Number
Ordinary shares acquired	-	17,500,000
Ordinary shares disposed	9,200,000	5,000,000
Options acquired	-	13,500,000
Options disposed	5,500,000	6,500,000

Aggregate number of shares of Kalrez Energy NL held directly, indirectly or beneficially by Directors or their Director-related entities at balance date:

Ordinary shares	6,506,000	15,706,000
Options over ordinary shares	1,500,000	7,000,000

- (d) The Company has paid a premium in respect of a policy for Directors and Officers Liability Insurance.

17. Remuneration of Directors & Executives

Consolidated		Chief Entity	
2000	1999	2000	1999
\$	\$	\$	\$

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

(a) Directors' Remuneration

Remuneration paid or payable or otherwise made available as Directors fees:-	46,980	52,680	46,980	52,680
Consulting fees paid to entities associated with Directors:	299,181	360,103	152,704	360,103
	-----	-----	-----	-----
	346,161	412,783	199,684	412,783
	=====	=====	=====	=====

The number of Directors of the chief entity whose income from the chief entity and any related body was within the following specified bands is as follows:

		Number	
		2000	1999
\$10,001	- \$20,000	-	1
\$30,001	- \$40,000	1	-
\$80,001	- \$90,000	-	1
\$90,001	- \$100,000	-	1
\$100,001	- \$110,000	1	-
\$210,001	- \$220,000	1	1

18. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	Consolidated		Chief Entity	
	2000	1999	2000	1999
	\$	\$	\$	\$
Cash (Note 6)	5,872,242	2,031,731	4,650,242	1,786,943
	-----	-----	-----	-----
	5,872,242	2,031,731	4,650,242	1,786,943
	=====	=====	=====	=====

(b) Reconciliation of Operating Profit (Loss) after Income Tax to Net Cash Outflow from Operating Activities

	2000	1999	2000	1999
Operating profit (loss) after				

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

income tax	201,483	(979,128)	(581,184)	(901,389)
Exploration expenditure expensed	288,524	180,446	275,368	180,446
Depreciation	189,080	115,805	12,579	2,774
Share placement fee	-	127,842	-	127,842
(Increase)/Decrease in debtors and prepayments	488,853	(791,620)	(9,969)	5,965
(Decrease)/Increase in creditors	2,287,900	1,153,250	(227,312)	128,163
(Decrease)/Increase in provision for diminution in value of investments	33,842	(138,637)	33,842	(138,637)
Increase in inventory	(1,000,239)	(1,086,500)	-	-
Record petroleum assets at historical value (foreign exchange gain)	(532,150)	-	-	-
Issue of 5 million shares at a deemed price of 2 cents per share for consulting services	-	100,000	-	100,000
	-----	-----	-----	-----
Net cash inflow (outflow) from operating activities	1,957,293	(1,318,542)	(496,676)	(494,836)
	=====	=====	=====	=====

19. Earnings per share

	2000 Cents	1999 Cents
Basic / Profit (loss) per share	0.04	(0.32)
	=====	=====
	2000 Number	1999 Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	465,029,297	302,446,566
	=====	=====

20. Financial Instruments

(a) Interest Rate Risk

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing			
	2000	1999	2000	1999	Within 1 Year		1 to 5 Years	
Financial Assets	%	%	\$	\$	\$	\$	\$	\$
Cash			1,780,592	1,496,944	-	-	-	-
Short Term Deposits	6.10	4.77	4,091,650	534,787	-	-	-	-
Receivables			234,582	753,715				
Inventories			-	-				
Prepayments			75,854	45,574				
Total Financial Assets			6,182,678	2,831,020	-	-	-	-
Financial Liabilities								
Total Financial Liabilities								
Net Financial Assets			2,668,977	1,605,220				

Reconciliation of net financial assets to net assets

	Note	2000 \$	1999 \$
Net financial assets as above		2,668,977	1,605,220
Inventories		2,086,739	1,086,500
Investments		318,433	352,275
Fixed Assets		840,708	509,405
		-----	-----
Net assets per balance sheet		5,914,857	3,553,400
		-----	-----

(b) Credit Risk

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

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

(c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

21. Venture

The consolidated entities interest in the petroleum exploration joint venture is represented by:

\$

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

Receivables	26,667
Inventory	67,739
Equipment	8,693
Exploration & Development	794,335
Accounts Payable	(29,317)
	<hr/>
	868,117
	=====

Kalrez Petroleum Seram Ltd has a 2.5% interest in a Petroleum Production Sharing Contract in Indonesia.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 28:
 - (a) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2000 and of their performance, as represented by their results of their operations and their cash flows, for the financial year ended on that date; and
 - (b) comply with Accounting Standards, the Corporations Regulations and other mandatory professional requirements.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Law; 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.

SIGNED in accordance with a resolution of the Directors on behalf of the Board.

R J Collins
DIRECTOR

Dated this 29th day of September 2000
Perth, Western Australia

**KALGOORLIE RESOURCES NL
AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

This statement outlines the main Corporate Governance practices that were in place throughout the financial year unless otherwise stated. These practices are dealt with under the following headings: Board of Directors, Auditors, Internal Control Framework, Ethical Standards, Environment, Business Risks and the Role of Shareholders.

BOARD OF DIRECTORS

The Board is responsible for the overall Corporate Governance of the economic entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of separate committees and accordingly all matters which may be capable of delegation to a committee are dealt with by the full board.

The Board meets regularly in order to retain full and effective control over the company and monitor the executive management. The Board has established a framework for the management of the company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Each director has the right to seek independent professional advice on matters relating to his position as a director of the company at the company's expense, subject to prior approval of the chairman which shall not be unreasonably withheld.

COMPOSITION OF THE BOARD

The names of the directors of the company, together with details of their relevant qualifications and experience are set out in the directors' report in this annual report.

The procedures for election and retirement of directors are governed by the company's Articles of Association and the Listing Rules of Australian Stock Exchange Limited (ASX).

The composition of the Board is determined using the following principles:-

- The Board shall comprise directors with a range of expertise encompassing the current and proposed activities of the company.
- Where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties, consideration of the needs of the shareholder base and consideration of the needs of the company. Such appointments are referred to shareholders at the next available opportunity for re-election in general meeting.

AUDITORS

Whilst the company does not have a formally constituted audit committee, the Board reviews the performance of the external auditors on an annual basis and meets with them at least twice a year.

- to review the results and findings of the audit, the adequacy of accounting and financial controls and to obtain feedback on the implementation of recommendations made; and
- to review the draft financial statements and audit or review reports at year end and half year.
- The board monitors the need to form an audit committee on a periodic basis.

**KALGOORLIE RESOURCES NL
AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors or irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under the following headings:-

- ***Financial Reporting***

There is a budgeting system with an annual budget approved by the directors. Actual results are reported against budget and revised forecasts for the year are prepared and presented to the Board regularly. The company reports to shareholders yearly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with Continuous Disclosure Requirements.

- ***Quality and Integrity of Personnel***

The company conducts a comprehensive review of the ability and experience of potential employees prior to appointment. Informal appraisals are conducted regularly with continuous feedback and on-the-job monitoring and training for all employees.

- ***Operational reporting***

The Company has a management agreement with Kalgoorlie Mine Management Pty Ltd for the provision of Management Services and the directors are in regular contact with its senior geologist on an informal basis.

ETHICAL STANDARDS

Kalrez Energy NL recognises the need for directors and employees to observe the highest standards of behaviour and business ethics in conducting its business and intends to maintain a reputation of integrity.

Whilst the company does not currently believe it is of a size to warrant the development of formal ethical guidelines, the Board subscribes to the Code of Conduct as published by the Australian Institute of Company Directors.

ENVIRONMENT

The company aims to ensure a high standard of environmental care is achieved and to ensure compliance as a minimum with World Bank Standards.

BUSINESS RISKS

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the company's risk profile. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The company's main areas of risk include:-

- exploration and development

**KALGOORLIE RESOURCES NL
AND ITS CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

- fluctuating commodity prices and exchange rates
- political and economic climate in its areas of operation
- continuous disclosure obligations.

Regular consideration is given to all these matters by the board.

THE ROLE OF SHAREHOLDERS

The Board of Directors ensure that shareholders are informed of all major developments affecting the company's state of affairs.

