

KRZ

KALREZ ENERGY LTD

ABN: 51 000 753 640

ANNUAL REPORT

2002

KALREZ ENERGY LTD

CONTENTS

	Page No.
• Corporate Directory	1
• Directors' Report	2
• Statement of Financial Performance	7
• Statement of Financial Position	8
• Statement of Cash Flows	9
• Notes to and forming part of the Financial Statements	10
• Directors' Declaration	26
• Auditor's Report	27
• Shareholder Information	29
• Corporate Governance Statement	32

**KALREZ ENERGY LTD
CORPORATE DIRECTORY**

DIRECTORS

Hersh Solomon MAJTELES
Russell BRIMAGE
Robert John COLLINS

AUDITORS

Stanton Partners
Accountants
1 Havelock Street
West Perth WA 6005

COMPANY SECRETARY

Bruce R McCULLAGH

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
Website: www.kalrez.com.au

SHARE REGISTRY

Computershare Investor Services
Level 2 Reserve Bank Building
45 St. Georges Terrace
Perth WA 6000
GPO Box D182
Perth WA 6840
Investor Enquiries (08) 9323 2059
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2096
perth.services@computershare.com.au

ASX code for shares: KRZ

KALREZ ENERGY LTD DIRECTORS' REPORT

The Directors of Kalrez Energy Ltd (chief entity) submit the consolidated Financial Accounts of the economic entity (comprising Kalrez Energy Ltd and the entities it controlled during the financial year) for the year ended 30 June 2002.

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 were the ongoing development of the Company's interests in the energy sector in Indonesia.

RESULTS

The consolidated loss for the financial year after providing for income tax amounted to \$4,442,613. (2001: Loss of \$90,732).

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.

REVIEW OF OPERATIONS

Bula Field

To increase oil production the Company undertook a workover and exploration program at the Bula field during the first half of the current financial year. This did not significantly increase production and the field continues to operate at stable rates of ~ 535 barrels of oil per day.

There remain exploration and workover targets that are considered worthy of further programs. The Company is currently considering how to continue this workover program in the most cost effective fashion.

Seram JV

The Company has maintained its 2.5% interest in the Seram JV through the payment of cash calls during the year as the Joint Venture continued the development of the Oseil oilfield and the associated production facility.

The Oseil oilfield is currently expected to flow its first oil in late November by bypassing the uncompleted Main Production Facility to produce crude oil for direct sale whilst the construction of the Production Facility is completed. Production of refined crude from the Main Production Facility is now scheduled to commence in February of 2003.

The well completion work for Oseil 1 and Oseil 4, together with the sidetrack of Oseil 2, produced significantly higher flow rates than the 12,000 bopd that was the initial design for the Oseil development, as per the following Table.

KALREZ ENERGY LTD DIRECTORS' REPORT

Well	Oil Flow (bopd)
Oseil 1	8,250
Oseil 2 – Sidetrack	9,432
Oseil 4	4,900

Current production planning will see the wells flow initially at lower rates than these whilst the operator assesses the reservoir performance. The field is expected to return positive cashflow to Kalrez commencing shortly after start up of production in November 2002.

The company retains its ability to sole risk the shallow wells on the coast to the south of the Bula field. An independent review has firmed up two structures as superior targets, and the company is updating and strengthening its farm out documentation with the view to a more aggressive marketing campaign to obtain a suitable farminee for these opportunities.

Energy Services

The Company's wholly owned drilling rig underwent a refurbishment program to equip it to complete the Oseil 1 and Oseil 4 wells as producers. Previously the rig was better suited to the shallower onshore wells, but is now able to drill wells to depths of 6,000 ft and beyond.

The Rig commenced work for Kufpec during July of 2002, concluding these activities in September of 2002.

The Rig remains on standby under the contract with Kufpec, and remains an important component of the Company's future development plans for the Bula field and the onshore sole risk opportunities to the south of the Bula field.

The Company has chosen to write down the carrying value of its interest in the LTS Gas Plant to reflect some uncertainty as to economic returns associated with this plant. It remains a focus of the Company to endeavour to access suitable gas streams in Indonesia for this plant, whilst the company has also commenced searching further afield for opportunities in different locations.

INFORMATION ON DIRECTORS

(a) Qualifications, experience and special responsibilities:-

(i) Hersh Solomon MAJTELES LLB

Mr Majteles graduated in Law from the University of WA in 1970 and has been in private legal practice since 1972. He has almost 30 years experience in business, corporate and commercial law and practise and has been a board member of a number of publicly listed companies for over 18 years. He is also a director of Australian United Gold Ltd and Equitx Limited.

(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 and prior to joining Kalrez Energy Ltd, he was Chief Executive of Western Resources NL and General Manager of a Western Australian gas field operator.

(iii) Robert John COLLINS Dp.Acc

Mr Collins was principal in his own accounting practice in Perth for over 20 years and has

KALREZ ENERGY LTD DIRECTORS' REPORT

extensive experience in financial and general commercial matters. In 1990, he joined Kalrez Energy Ltd 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
H S Majteles	4,000	2,000,000
R J Collins	2,000	-
R. Brimage	6,140,000	-

(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:-

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 Ltd are set out below:

Name	Directors Fee \$	Superannuation \$	Consulting Fee \$	Total \$
H S Majteles, Chairman	24,000	960		24,960
R J Collins	14,000	1,120	76,320	91,440
R Brimage	14,000	-	222,222	236,222
Total	<u>52,000</u>	<u>2,080</u>	<u>298,542</u>	<u>352,622</u>

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

ENVIRONMENTAL ISSUES

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

SIGNIFICANT CHANGES TO STATE OF AFFAIRS

In February 2002 the Company received a cash call for US\$1.252M, to retain its interest in the Seram JV. The Company embarked on a capital raising to ensure that it could retain this interest. It reached the required minimum subscription of A\$2.5M in July and the Board accepted those funds.

The Joint Venture anticipates producing unrefined crude oil in November 2002, with refined production commencing in or about February.

SHARES

KALREZ ENERGY LTD

DIRECTORS' REPORT

During the year 66,283,333 shares were issued @ 1.5 cents (together with a free attaching option) raising \$994,250.

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 2002 and the number of meetings attended by each Director.

Name:	Eligible to Attend	Attended
H S Majteles	19	19
R J Collins	19	18
R Brimage	19	17
M Scivolo – Alternate for RJ Collins	1	1

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 29, 2001 Mr R J Collins retired by rotation as a Director, in accordance with the Constitution of the Company, offered himself for re-election, and was re-elected.

At the Annual General Meeting to be held on November 28, 2002 Mr H S Majteles retires as a Director, in accordance with the Constitution of the Company, and offers himself for re-election.

OPTIONS

During the year 66,283,333 free attaching options were issued with those ordinary fully paid shares issued. The options have an exercise price of 20 cents expiring on 30 June 2003.

At the end of the year a total of 387,069,660 options were outstanding. These options are exercisable at a fixed price of 20 cents each 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 16, no Director of the chief entity has received or became 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 Company Secretary, 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.

SUBSEQUENT EVENTS

**KALREZ ENERGY LTD
DIRECTORS' REPORT**

A Prospectus was issued in May 2002 for the issue of 850 million shares and free attaching options, to raise \$5.1 million. By September 2002 an amount of \$2,649,948 was received and accepted.

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

R J Collins
DIRECTOR

Dated this 27th day of September 2002
Perth, Western Australia

KALREZ ENERGY LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Consolidated		Parent Entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Sales Revenue	2	8,446,613	11,489,975	-	-
Cost of sales	3	(8,189,531)	(11,278,442)	-	-
Gross profit		<u>257,082</u>	<u>211,533</u>	<u>-</u>	<u>-</u>
Other revenue from ordinary activities		72,157	258,040	41,700	256,705
Foreign exchange gain/(loss)	2	582,606	268,061	(103,390)	(162,378)
Depreciation	3	(1,789,721)	(80,994)	(11,767)	(16,179)
Provision for diminution in investment		-	(161,776)	(2,220,000)	(161,776)
Provision for non recovery of loan		-	-	(590,371)	-
Goodwill on plant written off		(1,643,675)	-	-	-
Other operating costs from ordinary activities		(2,111,762)	(595,757)	(598,478)	(601,865)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss from ordinary activities		(4,633,313)	(100,893)	(3,482,306)	(685,493)
Income tax relating to ordinary activities	4	-	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss from ordinary activities after income tax		(4,633,313)	(100,893)	(3,482,306)	(685,493)
Net loss attributable to outside equity interests		(190,700)	(10,161)	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net loss attributable to members of the parent entity		<u><u>(4,442,613)</u></u>	<u><u>(90,732)</u></u>	<u><u>(3,482,306)</u></u>	<u><u>(685,493)</u></u>
Earnings per share		2002 cents	2001 cents		
Basic loss per share	18	<u><u>(0.71)</u></u>	<u><u>(0.016)</u></u>		

The accompanying notes form part of these financial statements

KALREZ ENERGY LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

	Note	Consolidated		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	6	250,970	2,624,614	27,679	1,627,359
Receivables	7	2,583,499	591,905	185,005	21,181
Inventories	8	1,143,353	2,724,402	-	-
Other		664,313	85,287	-	-
		-----	-----	-----	-----
TOTAL CURRENT ASSETS		4,642,135	6,026,208	212,684	1,648,540
		-----	-----	-----	-----
NON-CURRENT ASSETS					
Plant and equipment	9	4,803,875	7,501,938	12,844	19,999
Other financial assets	10	150,000	156,658	150,006	2,376,664
Receivables	7	-	-	8,114,166	8,270,991
Exploration and development	20	4,611,998	1,619,281	-	-
		-----	-----	-----	-----
TOTAL NON-CURRENT ASSETS		9,565,873	9,277,877	8,277,016	10,667,654
		-----	-----	-----	-----
TOTAL ASSETS		14,208,008	15,304,085	8,489,700	12,316,194
		-----	-----	-----	-----
CURRENT LIABILITIES					
Payables	11	6,232,115	3,666,047	199,665	47,747
Intercompany payable	11	-	-	1,678,656	3,169,011
		-----	-----	-----	-----
TOTAL CURRENT LIABILITIES		6,232,115	3,666,047	1,878,321	3,216,758
		-----	-----	-----	-----
NON CURRENT LIABILITIES					
Provisions	11	1,023,725	1,046,806	-	-
		-----	-----	-----	-----
TOTAL LIABILITIES		7,255,840	4,712,853	1,878,321	3,216,758
		-----	-----	-----	-----
NET ASSETS		6,952,168	10,591,232	6,611,379	9,099,436
		=====	=====	=====	=====
EQUITY					
Contributed equity	12	28,012,098	27,017,849	28,012,098	27,017,849
Accumulated losses	22	(21,061,337)	(16,618,724)	(21,400,719)	(17,918,413)
		-----	-----	-----	-----
Equity attributable to parent entity		6,950,761	10,399,125	6,611,379	9,099,436
Minority interests		1,407	192,107	-	-
		-----	-----	-----	-----
TOTAL EQUITY		6,952,168	10,591,232	6,611,379	9,099,436
		=====	=====	=====	=====

The accompanying notes form part of these financial statements

KALREZ ENERGY LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Consolidated		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
Cashflows from operating activities					
Rig Rental		250,125			
Petroleum Sales		6,978,557	8,821,548	-	-
Interest received		11,353	267,198	11,353	265,863
Payments to suppliers and employees		(9,552,254)	(9,019,555)	(708,201)	(767,468)
		-----	-----	-----	-----
Net cash inflow from operating activities	17(b)	(2,312,219)	69,191	(696,848)	(501,605)
		-----	-----	-----	-----
Cashflows from investing activities					
Purchase of plant and equipment		(735,333)	(5,273,706)	(4,612)	(16,273)
Exploration expenditure		(351,772)	(1,118,113)	-	-
Proceeds from sale of shares		31,430	-	31,430	-
Investment in subsidiary company		-	-	-	(720,000)
Loans to subsidiary companies		-	-	(1,923,900)	(4,860,005)
		-----	-----	-----	-----
Net cash (outflow) from investing activities		(1,055,675)	(6,391,819)	(1,897,082)	(5,596,278)
		-----	-----	-----	-----
Cashflows from financing activities					
Proceeds from issue of shares and options		994,250	3,250,000	994,250	3,250,000
Share placement fees		-	(175,000)	-	(175,000)
		-----	-----	-----	-----
Net cash inflow from financing activities		994,250	3,075,000	994,250	3,075,000
		-----	-----	-----	-----
Net decrease in cash held		(2,373,644)	(3,247,628)	(1,599,680)	(3,022,883)
Cash at the beginning of the financial year		2,624,614	5,872,242	1,627,359	4,650,242
		-----	-----	-----	-----
Cash at end of the financial year	17(a)	250,970	2,624,614	27,679	1,627,359
		=====	=====	=====	=====

The accompanying notes form part of these financial statements.

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

1. Summary of Accounting Policies

This general purpose financial report has been prepared on an accrual basis, and in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with the previous year.

The financial statements have also been prepared on the going concern basis of accounting which assumes that the company will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on the company obtaining adequate funding for existing commitments and new ongoing business activities.

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 Ltd as at 30 June 2002 and the results of all its controlled entities for the year then ended. Kalrez Energy Ltd 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 statement of financial performance 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(b).

(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.

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

(e) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance 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

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 when received.

(h) Earnings per share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing the income/loss from ordinary activities after income tax attributable to members of Kalrez Energy Ltd 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 potential 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 or 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.

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

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

- 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.

Revenue received from sale or disposal of product, material or 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 impostes 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) Payables

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.

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

(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.

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.

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

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

(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 differences 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.

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

(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.

(u) Foreign Controlled Entity

Financial statements of integrated foreign operations are translated at reporting date using the temporal method and exchange differences are taken to net profit or loss for the period.

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the related of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
2. Operating and Other Revenue				
Petroleum sales	8,196,488	11,489,975	-	-
Rig rental	250,125	-	-	-
Other revenue	40,727	258,040	10,270	256,705
Proceeds from sales of shares	31,430	-	31,430	-
	-----	-----	-----	-----
	8,518,770	11,748,015	41,700	256,705
	=====	=====	=====	=====
3. Operating Loss				
Operating loss before income tax is arrived at after:-				
Crediting:				
Revenue as above	8,518,770	11,748,015	41,700	256,705
	=====	=====	=====	=====
Charging:				
Petroleum production costs	8,189,531	11,278,442	-	-
Directors' fees	52,000	50,500	52,000	50,500
Depreciation	1,789,721	80,994	11,767	16,179
Goodwill on plant written off	1,452,976	-	-	-

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
4. Income Tax				
Reconciliation of prima facie income tax benefit on operating loss to income tax as provided in the financial statements				
Operating (loss)/profit	(4,442,613)	(90,732)	(3,482,306)	(685,493)
	=====	=====	=====	=====
Prima facie income tax benefit thereon at 30% (2001: 34%)	(1,332,784)	(30,848)	(1,044,692)	(233,067)
Adjusted for the tax effect of:				
Permanent differences:				
Foreign exchange	(174,782)	91,140	31,017	55,208
Provision for diminution in value of investments	-	55,003	657,640	55,003
Provision for write down of loan to subsidiary	-	-	177,113	4,423
Legal and other non deductibles	33,689	17,890	33,689	17,890
Deferred assessable income overseas	-	(354,795)	-	-
Goodwill written off	493,103	-	-	-
	-----	-----	-----	-----
Timing differences and tax losses not brought to account as future income tax benefits	980,774	221,610	145,233	100,543
	-----	-----	-----	-----
Income tax expense	-	-	-	-
	=====	=====	=====	=====

As of 30 June 2002 the chief entity has carried forward tax losses estimated at \$4,750,000. 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	51,338	23,724	51,338	23,724
Other services	22,724	3,976	22,724	3,976
	-----	-----	-----	-----
	74,062	27,700	74,062	27,700
	=====	=====	=====	=====

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
6. Cash Assets				
Cash at bank	250,970	1,079,894	27,679	82,640
Bank bills	-	1,544,720	-	1,544,719
	-----	-----	-----	-----
	250,970	2,624,614	27,679	1,627,359
	=====	=====	=====	=====
7. Receivables				
Current				
Other debtors	2,583,499	591,905	185,005	21,181
	-----	-----	-----	-----
	2,583,499	591,905	185,005	21,181
	=====	=====	=====	=====
Non-Current				
Owing by Kalrez Petroleum Seram Ltd	-	-	3,571,214	3,219,443
Owing by Oxford Mining NL	-	-	285,616	287,000
Less: Provision for doubtful debts	-	-	(285,616)	(287,000)
Owing by Indonesia Prima Energy Services Ltd	-	-	595,550	585,941
Owing by PT Prima Jasa Energi	-	-	3,947,402	3,994,135
Owing by Petroasia Ltd	-	-	590,371	471,472
Less: Provision for doubtful debt	-	-	(590,371)	-
	-----	-----	-----	-----
	-	-	8,114,166	8,270,991
	=====	=====	=====	=====
8. Inventories				
Warehouse inventory	323,353	409,802	-	-
Oil Stock	820,000	2,314,600	-	-
	-----	-----	-----	-----
	1,143,353	2,724,402	-	-
	=====	=====	=====	=====
9. Non-Current Assets				
Equipment movement				
Opening balance July 1st	7,501,938	46,371	19,999	23,395
Purchases	735,333	7,540,051	4,612	16,273
Disposals	-	(9,674)	-	(9,674)
Depreciation written back	-	6,184	-	6,184
Depreciation	(1,789,721)	(80,994)	(11,767)	(16,179)
Value written down	(1,643,675)	-	-	-
	-----	-----	-----	-----
Closing balance June 30	4,803,875	7,501,938	12,844	19,999
	=====	=====	=====	=====

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

Equipment	18,341,389	20,444,393	54,145	49,533
Less provision for depreciation	(13,537,514)	(12,942,455)	(41,301)	(29,534)
	-----	-----	-----	-----
Closing balance June 30	4,803,875	7,501,938	12,844	19,999
	=====	=====	=====	=====
	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$

10. Other Financial Assets

(a) Investments listed on prescribed stock exchanges - at cost	300,000	397,275	300,000	397,275
Less:				
provision for diminution in value	(150,000)	(240,617)	(150,000)	(240,617)
	-----	-----	-----	-----
	150,000	156,658	150,000	156,658
	=====	=====	=====	=====
The aggregate market value of investments listed on prescribed stock exchanges at 30 June	150,000	156,658	150,000	156,658
	=====	=====	=====	=====

The market value at the date of the Directors Statement was \$ 75,000.

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

Name	Place of Incorporation & Business	Percentage Owned		Share Investment	
		2002 %	2001 %	2002 \$	2001 \$
Oxford Mining NL	Western Australia		100		-
Kalrez Petroleum Seram Ltd	Hong Kong		100	2	2
Indonesia Prima Energy Services Ltd	Mauritius		100	4	4
Petroasia Ltd	Hong Kong	75		2,220,000	2,220,000
Provision against Investment				(2,220,000)	-
				-----	-----
				6	2,220,006
				=====	=====

11. Payables

Current				
Sundry creditors and accruals	6,232,115	3,666,047	199,665	47,747
Intercompany - owing to Kalrez Petroleum (Seram) Ltd	-	-	1,678,656	3,169,011
	-----	-----	-----	-----
	6,223,115	3,666,047	1,878,321	3,216,758
	=====	=====	=====	=====

Non Current Provisions
Provision for plug and abandonment

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

of wells	1,023,725	1,046,806	-	-
	=====	=====	=====	=====

Consolidated		Parent Entity	
2002	2001	2002	2001
\$	\$	\$	\$

12. Contributed Equity

(a) Movements in Contributed Equity

Date	Details	Number of Shares	Issue Price Cents	Amount \$
30 June 2000	Balance	469,763,354		22,442,848
13 July 2000	Issued shares for cash	86,666,666	3.75	3,250,000
	Less – share placement fee	-		(175,000)
5 October 2000	Issued shares in part consideration for 75% interest in Petroasia Limited	50,000,000	3	1,500,000
28 November 2000	Reconstruction of partly paid shares	(29,986,050)		-
	To be replaced by ordinary shares	9,995,350		-
30 June 2001	Balance	586,439,320		27,017,848
8 November 2001	Issued shares for cash	4,000,000	1.5	60,000
28 November 2001	Issued shares for cash	24,700,000	1.5	370,500
6 December 2001	Issued shares for cash	9,000,000	1.5	135,000
20 December 2001	Issued shares for cash	10,600,000	1.5	159,000
14 January 2002	Issued shares for cash	17,983,333	1.5	269,750
30 June 2002	Balance	652,722,653		28,012,098

(b) Options over shares:-

As at 30 June 2002 the Company had:

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

- (i) 320,786,327 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.
- (ii) 2,000,000 options on issue to subscribe for fully paid ordinary shares, on or before, 31 December 2002, at an exercise price of 7.5 cents per share.

13. Commitments

(i) Management Agreement

The Company has a management agreement with a Management Service Company for the provision of management and office services of \$110,000 per annum plus CPI. Charges are at commercial terms in accordance with an agreement entered into on 1 August 1999 for a five year term.

(ii) Contingent Liability

There exists an outstanding obligation to issue the other partner within PetroAsia a further 50 million Kalrez shares subject to the occurrence of one of the following events:

- PetroAsia enters into a legally binding Memorandum of Understanding or Heads of Agreement for an interest in a gas field or access to a suitable gas stream; or
- Petroasia sells, rents or hires out a substantial portion of the LTS Plant; or
- PetroAsia derives material income from the use of the LTS Plant; or
- Such other event as amounts to profitable economic utilisation of the Plant for the benefit of PetroAsia

14. Segment Reporting

2002	\$	South East Australia \$	Asia \$	Elimination \$	Consolidated
Sales	-	10,933,882	2,487,269	8,446,613	
Other Revenue	31,430	31,841		63,271	
	-----	-----		-----	
	31,430	10,965,723		8,509,884	
	=====	=====		=====	
Segment Result					
Consolidated operating (loss) before income tax	(3,482,306)	(3,447,576)	2,487,269	(4,442,613)	
Segment assets	8,489,700	5,718,308		14,208,008	
Segment liabilities	1,878,321	5,377,519		7,255,840	
	-----	-----		-----	
Net Assets	6,611,379	340,789		6,952,168	
	=====	=====		=====	
Acquisition of plant and equipment	4,612	713,811		718,423	

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

Exploration and development	-	351,771	351,771
Depreciation	11,767	1,777,954	1,789,721

2001	\$	Australia \$	South East Asia	\$	Consolidated
Sales	-	11,489,975		11,489,975	
Other Revenue	-	-		-	
	-----	-----		-----	
	-	11,489,975		11,489,975	
	=====	=====		=====	
Segment Result					
Operating (loss) profit	(685,493)	594,761		(90,732)	
Segment assets	12,316,194	2,987,891		15,304,085	
Segment liabilities	3,216,758	1,496,095		4,712,853	
	-----	-----		-----	
Net Assets	9,099,436	1,491,796		10,591,232	
	=====	=====		=====	
Acquisition of plant and equipment	16,273	7,523,778		7,540,051	
Exploration and development	-	1,118,113		1,118,113	
Depreciation	16,179	64,185		80,994	

15. Related Parties

- (a) The names of persons who held office as Directors of Kalrez Energy Ltd 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 \$76,320 (2001: \$89,000).

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 \$222,222 (2001: \$223,546).

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

- (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 Ltd acquired and disposed of by Directors and their Director-related entities from the Company were as follows:

	2002 Number	2001 Number
Ordinary shares acquired	5,357,000	1,640,000
Ordinary shares disposed	-	-
Options acquired	5,357,000	-
Options disposed	-	-

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

Ordinary shares	13,503,000	8,146,000
Options over ordinary shares	5,357,000	-

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

16. Remuneration of Directors & Executives

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
(a) Directors' Remuneration				
Remuneration paid or payable or otherwise made available as Directors fees:-	54,080	51,620	54,080	51,620
Consulting fees paid to entities associated with Directors:	298,542	312,546	76,320	89,000
	-----	-----	-----	-----
	352,622	364,166	130,400	140,620
	=====	=====	=====	=====

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		
		2002	2001	
\$20,001	-	\$30,000	1	1
\$90,001	-	\$100,000	1	-

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

Increase in payables	4,533,468	139,337	151,918	11,953
(Decrease) in Pertamina accrual	(1,967,400)	-	-	-
Increase in provision for plug and abandonment	-	1,046,806	-	-
	-----	-----	-----	-----
Net cash inflow/(outflow) from operating activities	(2,312,219)	69,191	(696,848)	(501,605)
	=====	=====	=====	=====

18. Earnings Per Share

	2002	2001
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	624,451,649	569,928,037
	=====	=====

19. 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:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing			
	2002	2001	2002	2001	Within 1 Year		1 to 5 Years	
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash Assets			250,970	1,079,894	-	-	-	-
Short Term Deposits	-	5.77	-	1,544,720	-	-	-	-
Receivables			2,583,499	591,905				
Other			664,313	85,287				
Total Financial Assets			3,498,782	3,301,806	-	-	-	-
Financial Liabilities								
Payables			6,232,115	3,666,047				
Total Financial			6,232,115	3,666,047				
Net Financial (Liabilities)			(2,733,333)	(364,241)				

Reconciliation of net financial liabilities to net assets

	Note	2002	2001
		\$	\$
Net financial assets as above		(2,733,333)	(364,241)
Inventories		1,143,353	2,724,402
Investments		150,000	156,658
Fixed Assets		9,415,873	9,121,219
Provisions		(1,023,725)	(1,046,806)

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

	-----	-----
Net assets per balance sheet	6,952,168	10,591,232
	=====	=====

(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.

20. Joint Venture

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

	\$
Receivables	414,054
Inventory	160,961
Equipment	35,426
Exploration and Development	4,611,998
Accounts Payable	(3,402,751)
	1,819,688
	=====

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

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
21. Other Current Assets				
Recoverable costs	474,928	-	-	-
Prepayments	189,385	85,287	-	-
	-----	-----	-----	-----
Balance at end of year	664,313	85,287	-	-
	=====	=====	=====	=====

22. Accumulated Losses

KALREZ ENERGY LTD
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
30 JUNE 2002

Balance at beginning of year	(16,618,724)	(16,527,992)	(17,918,413)	(17,232,920)
(Loss) profit for year	(4,442,613)	(90,732)	(3,482,306)	(685,493)
	-----	-----	-----	-----
Balance at end of year	<u>(21,061,337)</u>	<u>(16,618,724)</u>	<u>(21,400,719)</u>	<u>(17,918,413)</u>

23. Subsequent Events

A Prospectus was issued in May 2002 for the issue of 850 million shares and free attaching options, to raise \$5.1 million. An amount of \$2,649,948 was received and accepted.

KALREZ ENERGY LTD
DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 25 are in accordance with the Corporations Act 2001:
 - (a) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 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 2001 and other mandatory professional requirements.

In the directors' opinion:

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

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

R J Collins
DIRECTOR

Dated this 27th day of September 2002
Perth, Western Australia

AUDITORS' REPORT



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

Email: australia@stanton.com.au

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF KALREZ ENERGY LIMITED

SCOPE

We have audited the financial report of Kalrez Energy Limited (the Company) for the year ended 30 June 2002 as set out on pages 7 to 26. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this 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 and other mandatory professional reporting requirements in Australia and the Corporations Act 2001 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 report of Kalrez Energy Ltd is in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

AUDITORS' REPORT

INHERENT UNCERTAINTY REGARDING NON - CURRENT ASSETS AND GOING CONCERN

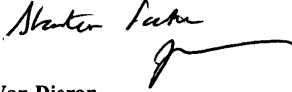
Without qualification to the opinion expressed above, attention is drawn to the following matters:

As referred to in note 1 to the financial statements, the financial statements have been prepared on a going concern basis. Included in the Company's statement of financial position are investments in and loans to subsidiaries totalling \$8,114,172 and in the consolidated entity's statement of financial position are interests in petroleum assets (fixed assets and capitalised exploration costs) totalling \$9,415,873. The recoverability of these assets is dependent on the successful commercial exploitation of the underlying petroleum businesses of the subsidiaries of the parent entity to generate profits in excess of the current carrying values of the investments/assets held by the relevant companies.

The ability of the Company and the consolidated entity to meet planned and committed expenditure requirements is subject to the Company and its subsidiaries successfully exploiting the investments and petroleum assets owned by the Company and its subsidiaries and the raising of further equity and/or loan capital

In the event that the Company and the consolidated entity is not successful in raising further funds, the realisable value of the Company's and consolidated non-current assets may be significantly less than their current carrying values.

STANTON PARTNERS



J P Van Dieren
Partner

Perth, Western Australia
27 September 2002

Au:Kal5129:2002-01

**KALREZ ENERGY LTD
SHAREHOLDER INFORMATION**

1. Distribution of Shareholders

As at 17 September 2002 the distribution of members and their shareholdings were:-

(a) Fully Paid Shareholders

Range	Holders	Shares Held	Percent
1 - 1,000	86	47,824	0.004
1,001 - 5,000	971	3,016,006	0.280
5,001 - 10,000	675	5,494,992	0.510
10,001 - 100,000	2,584	117,415,821	10.830
100,001 - over	1,264	958,406,010	88.376
	5,580	1,084,380,653	100.00
	5,580	1,084,380,653	100.00

(b) There are 3,980 shareholders who hold less than a marketable parcel.

Voting Rights

There were 5,580 holders of fully paid ordinary shares who on a poll have one vote for each share held.

Twenty Largest Share Holders

The names of the 20 largest share holders as at 17 September 2002 are listed below.

Ordinary Shares

Name	Number	%
Petroasia Group Limited	50,000,000	4.61
Commonwealth Custodial Services Ltd	40,000,000	3.69
Golden Deeps Ltd	30,000,000	2.77
Burnal Pty Ltd	23,400,000	2.16
Colin Earl Bennett & Burnice Anne Bennett	16,666,667	1.54
Colin Earl Garnsworthy Bennett & Burnice Anne Bennett	14,393,571	1.33
Australian United Gold Ltd	14,333,333	1.32
Bennett & Bennett Pty Ltd	13,191,366	1.22
Northlight Nominees Pty Ltd	13,000,000	1.20
Australian International Services Pty Ltd	11,000,000	1.01
Cheng Wing Resources Limited	10,000,000	0.92
Leivin Investments Pty Ltd	10,000,000	0.92
Arredo Pty Ltd	8,500,000	0.78
ANZ Nominees Limited	8,121,201	0.75
Creston Pty Ltd	8,063,333	0.74
NEFCO Nominees Pty Ltd	8,000,000	0.74
Merrill Lynch (Australia) Nominees Pty Ltd	7,952,180	0.73
David Delaney	7,600,000	0.70
Toltec Holdings Pty Ltd	7,056,596	0.65
Nigel Garnsworthy Bennett	7,033,334	0.65
Total	308,311,581	28.43

**KALREZ ENERGY LTD
SHAREHOLDER INFORMATION**

2. OPTIONHOLDERS – Expiring 30/06/2003 @ 20 cents

(a) Distribution of Optionholders as at 17 September 2002:-

Size of Holding		Number of Holders	Options Held	%	
1	-	1,000	82	61,899	0.02
1,001	-	5,000	353	1,098,050	0.28
5,001	-	10,000	192	1,591,154	0.41
10,001	-	100,000	632	30,223,496	7.81
100,001	-	and over	506	354,095,061	91.48
		-----	-----	-----	-----
		1,765	387,069,660	100.00	
		=====	=====	=====	=====

There are 1,570 optionholders who hold less than a marketable parcel.

(b) **Twenty Largest Option Holders**

The names of the 20 largest option holders as at 17 September 2002 are listed below.

Options Name	Number of Options Held	% of Options Held
Robert Anthony Healy	10,000,000	2.58
Stephen Jelbart	10,000,000	2.58
Dietmar Richard Bottcher	8,960,000	2.31
Bernhard Gerber & Maria Thallmaier	7,000,000	1.81
Marcus Hugh Titley	6,000,000	1.55
Overnight Nominees Pty Ltd	5,600,000	1.45
Lyphock Pty Ltd	5,588,000	1.44
Leonard William Jones & Lynden Paige Jones	5,000,000	1.29
Dale Kenneth Loring	5,000,000	1.29
Soheil Taheri	5,000,000	1.29
Whitechurch Developments Pty Ltd	5,000,000	1.29
Raymond Barclay Wyatt & Elizabeth Gail Wyatt	5,000,000	1.29
Michael William Becker	4,820,000	1.25
Garry Webb	4,400,000	1.14
Jianshe Guan	4,100,000	1.06
Gregory Clifford Wood	4,000,000	1.03
Lesuer Pty Ltd	3,500,000	0.90
O'Dwyer Technology Training Pty Ltd	3,500,000	0.90
Gunter Thallmaier & Deborah Jane Thallmaier	3,150,000	0.81
Atlantic Securities Pty Ltd	3,070,000	0.79
Total	----- 108,688,000 =====	----- 28.05 =====

**KALREZ ENERGY LTD
SHAREHOLDER INFORMATION**

3. OPTIONHOLDERS – Expiring 20/02/2005 @ 2.5 cents

(a) Distribution of Optionholders as at 17 September 2002:-

Size of Holding		Number of Holders	Options Held	%
1	-	1,000	1	0.00
1,001	-	5,000	-	-
5,001	-	10,000	-	-
10,001	-	100,000	105	2.36
100,001	-	and over	174	97.64
		-----	-----	-----
		280	431,658,000	100.00
		=====	=====	=====

There are 178 optionholders who hold less than a marketable parcel.

(b) Twenty Largest Option Holders

The names of the 20 largest option holders as at 17 September 2002 are listed below.

Options Name	Number of Options Held	% of Options Held
Commonwealth Custodial Services Ltd	40,000,000	9.27
Golden Deeps Ltd	30,000,000	6.95
Burnal Pty Ltd	20,000,000	4.63
Toltec Holdings Pty Ltd	17,000,000	3.94
Colin Earl Bennett & Burnice Anne Bennett	16,666,667	3.86
Australian United Gold Ltd	14,333,333	3.32
Colin Earl Garnsworthy Bennett & Burnice Anne Bennett	14,000,000	3.24
Cheng Wing Resources Limited	10,000,000	2.32
Northlight Nominees Pty Ltd	10,000,000	2.32
John Joao Jardim Rebelo	10,000,000	2.32
TS & JD Nominees Pty Ltd	10,000,000	2.32
Arredo Pty Ltd	8,500,000	1.97
Bennett & Bennett Pty Ltd	8,000,000	1.85
NEFCO Nominees Pty Ltd	8,000,000	1.85
Kathryn Margaret Shaw & Denis Lindsay Shaw	7,683,333	1.78
David Delaney	7,500,000	1.74
Nigel Garnsworthy Bennett	7,033,334	1.63
Blacklash Pty Ltd	7,000,000	1.62
Broko Investments Pty Ltd	7,000,000	1.62
Mesuta Pty Ltd	6,000,000	1.39

Total	258,716,667	59.94
		=====

**KALREZ ENERGY LTD
AND IT'S 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 Constitution 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.

**KALREZ ENERGY LTD
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 Ltd 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
- 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

**KALREZ ENERGY LTD
AND IT'S CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

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

