

BANCFIRST CORP /OK/

Form S-3ASR

January 20, 2017

As filed with the Securities and Exchange Commission on January 20, 2017

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

BANCFIRST CORPORATION

(Exact name of Registrant as specified in its charter)

Oklahoma

73-1221379

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

101 North Broadway

Oklahoma City, Oklahoma 73102

(405) 270-1086

(Address, including zip code, and telephone number, including area code, of Registrants' principal executive offices)

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David E. Rainbolt

President and Chief Executive Officer

BancFirst Corporation

101 North Broadway

Oklahoma City, Oklahoma 73102

(405) 270-1086

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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COPY TO:

Jeanette C. Timmons, Esq.

Conner & Winters, LLP

211 N. Robinson, Suite 1700

Oklahoma City, OK 73102

(405) 272-5745

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer  
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered (1)(2)	Amount to be Registered (1)	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (1)
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Common Stock, par value \$1.00 per share

(1) An unspecified number of shares of registrant's common stock is being registered for possible issuance from time to time at indeterminate prices. Pursuant to

Rule 416(a) under the Securities Act of 1933, the shares being registered hereunder also include such indeterminate number of shares of common stock as may

be issuable as a result of stock splits, stock dividends, recapitalizations or similar transactions.

(2) In accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended, the registrant is deferring payment of the registration fee subject to the conditions set forth in such rules.

## PROSPECTUS

### BANCFIRST CORPORATION

#### Common Stock

By this prospectus, we may offer and sell from time to time, in one or more offerings: shares of our common stock.

We will provide specific terms of each issuance of these securities in supplements to this prospectus. We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. If any underwriters, dealers or agents are involved in the sale of securities, the prospectus supplement will set forth any applicable commission or discounts. See “Plan of Distribution” for a general description of the manner in which we may sell the securities described in this prospectus. You should carefully read this prospectus and the applicable prospectus supplement, together with the documents incorporated by reference, before you decide to invest in the securities described in the applicable prospectus supplement.

Each time that we sell securities using this prospectus; we may provide a prospectus supplement and attach it to this prospectus. Any such prospectus supplement will contain more specific information about the offering and the securities being offered, including the prices and our net proceeds from the sales of those securities. The prospectus supplement may also add, update or change information contained in this prospectus.

Our common stock is listed on the NASDAQ Global Select Market under the symbol “BANF.” Each prospectus supplement will indicate if the securities offered thereby will be listed on any securities exchange.

Investing in our securities involves risk. You should carefully consider the information referred to under the heading “Risk Factors” beginning on page 4 before you invest in our securities.

Any securities offered by this prospectus and accompanying prospectus supplement will not be savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation, or the FDIC, the Bank Insurance Fund or any other government agency or instrumentality.

None of the Securities and Exchange Commission, the FDIC, the Board of Governors of the Federal Reserve System, or the Federal Reserve, or any state securities commission or any other federal regulatory agency has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 20, 2017

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We are responsible only for the information contained in or incorporated by reference into this prospectus and any applicable prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, any applicable prospectus supplement and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (“SEC”), using a “shelf” registration process. Under this shelf registration process, we may sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we offer to sell securities, we will provide a supplement to this prospectus that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and the information in the prospectus supplement, you should rely on the information in the prospectus supplement. It is important for you to consider the information contained in this prospectus and any prospectus supplement, together with additional information described under the heading “Where You Can Find More Information.”

Unless we state otherwise or the context otherwise requires, references in this prospectus to “the Company,” “we,” “us,” “our” or similar references refer to the combined entities of BancFirst Corporation and its subsidiaries.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

The Company may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 with respect to earnings, credit quality, corporate objectives, interest rates and other financial and business matters. Forward-looking statements include estimates and give management’s current expectations or forecasts of future events. The Company cautions readers that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, including economic conditions; the performance of financial markets and interest rates; legislative and regulatory actions and reforms; competition; as well as other factors, all of which change over time. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as “believes”, “anticipates”, “expects”, “intends”, “targeted”, “continue”, “remain”, “will”, “should”, “may” and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- Local, regional, national and international economic conditions and the impact they may have on the Company and its customers and the Company’s assessment of that impact.
- Changes in the mix of loan geographies, sectors and types or the level of non-performing assets and charge-offs.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- Inflation, interest rate, crude oil price, securities market and monetary fluctuations.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company must comply.
- Impairment of the Company’s goodwill or other intangible assets.
- Changes in consumer spending, borrowing and saving habits.
- Changes in the financial performance and/or condition of the Company’s borrowers.

- Technological changes.
- Acquisitions and integration of acquired businesses.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.
- The Company's success at managing the risks involved in the foregoing items.

Consider these factors carefully in evaluating the forward-looking statements. Additional factors that may cause results to differ materially from those described in the forward-looking statements are set forth in our Annual Report on Form 10-K for the year ended 2015, the subsequent Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K, including those set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended 2015.

Any forward-looking statements made in this prospectus or in any documents incorporated by reference into this prospectus, are subject to the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this prospectus or the date of any document incorporated by reference in this prospectus. The Company does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made, unless otherwise required by law. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this prospectus.

#### WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC, of which this prospectus is a part, with respect to the securities being offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. We refer you to the registration statement and the exhibits and schedules thereto for further information. Statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit are qualified in all respects by reference to the actual text of the exhibit.

You may read and copy the registration statement, including the exhibits and schedules to the registration statement, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC and from which you can electronically access the registration statement, including the exhibits and schedules to the registration statement.

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information are available for inspection and copying at the public reference room and website of the SEC referred to above.

Our common stock is listed on the NASDAQ Global Select Market under the symbol "BANF," and all such reports, proxy statements and other information filed by us with NASDAQ may be inspected at the principal office of NASDAQ One Liberty Plaza, New York, NY 10006.

We also maintain an Internet site where you can find additional information. The address of our Internet site is [www.bancfirst.com](http://www.bancfirst.com). All internet addresses provided in this prospectus or in any accompanying prospectus supplement are for informational purposes only and are not intended to be hyperlinks. In addition, the information on our Internet website, or any other Internet site described herein, is not a part of, and is not incorporated or deemed to be



incorporated by reference in, this prospectus or any accompanying prospectus supplement or other offering materials.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC's rules allow us to "incorporate by reference" information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus from the date of filing those documents. Any reports filed by us with the SEC on or after the date of this prospectus will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus. We have filed the documents listed below with the SEC under the Securities Exchange Act of 1934 (the "Exchange Act"), and these documents are incorporated herein by reference (other than information in such documents that is furnished and not deemed to be filed):

- Our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 11, 2016;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016, filed with the SEC on May 6, 2016, August 5, 2016 and November 4, 2016, respectively;
- Our Current Reports on Form 8-K, filed with the SEC on January 21, 2016, February 29, 2016, March 30, 2016, April 21, 2016, May 27, 2016, July 21, 2016, August 25, 2016, October 20, 2016 and November 17, 2016;
- Those portions of our Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 14, 2016 that are incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2015; and
- The description of our common stock contained in our Registration Statement filed with the SEC pursuant to Section 12 of the Exchange Act (File No. 0-14384), including any amendment or report filed for purposes of updating such description.

All documents we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act on or after the date of this prospectus and prior to the termination of the offering of the securities to which this prospectus relates (other than information in such documents that is furnished and not deemed to be filed) shall also be deemed to be incorporated by reference into this prospectus and to be part hereof from the date of filing of those documents.

We will provide to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with this prospectus (other than the exhibits to such documents which are not specifically incorporated by reference therein). We will provide this information at no cost to the requester upon written or oral request to:

BancFirst Corporation

Attn: Randy Foraker

101 N. Broadway

Oklahoma City, Oklahoma 73102

Tel.: (405) 270-1044.

## BANCFIRST CORPORATION

BancFirst Corporation is an Oklahoma business corporation that is registered as a bank holding company and a financial holding company under the Bank Holding Company Act of 1956. We offer a broad range of commercial and consumer banking, trust and investment services, and other financial products and services primarily through BancFirst, an Oklahoma state-chartered bank headquartered in Oklahoma City, Oklahoma. Through our other subsidiaries, including subsidiaries of BancFirst, we also are engaged in insurance and investment activities. Based on total deposits at June 30, 2016, we are the largest state-chartered bank in Oklahoma.

Our strategy focuses on providing a full range of commercial banking services to retail customers and small to medium-sized businesses in both the non-metropolitan trade centers and cities in the metropolitan statistical areas of Oklahoma. We operate 100 banking locations in 53 communities across Oklahoma. Our market share of total deposits within the state of Oklahoma was 7.17% as of June 30, 2016.

We operate as a super community bank, managing our community banking offices on a decentralized basis, which permits us to be responsive to local customer needs. Underwriting, funding, customer service and pricing decisions are made by presidents in each market within our operating parameters. We generally have a larger lending capacity, broader product line and greater operational efficiencies than our principal competitors in the non-metropolitan market areas (which typically are independently-owned community banks). In the metropolitan markets we serve, our strategy is to focus on the needs of local businesses that are not served effectively by larger institutions.

We also offer trust services and act as executor, administrator, trustee, transfer agent and in various other fiduciary capacities. Our trust services consist primarily of investment management and administration of trusts for individuals, corporations and employee benefit plans. Investment options include collective equity and fixed-income funds managed by our BancTrust division and advised by nationally recognized investment management firms.

Our primary lending activity is the financing of business and industry in our market areas. Our commercial loan customers are generally small to medium-sized businesses engaged in light manufacturing, local wholesale and retail trade, services, agriculture, and the energy industry. Most forms of commercial lending are offered, including commercial mortgages, other forms of asset-based financing and working capital lines of credit. In addition, we offer Small Business Administration-guaranteed loans through BancFirst Commercial Capital, a division established in 1991.

BancFirst Corporation was incorporated in Oklahoma in 1984 as United Community Corporation and changed its name to BancFirst Corporation in 1988. Our corporate headquarters is located at 101 N. Broadway, Oklahoma City, Oklahoma 73102, and our telephone number is (405) 270-1086.

## RISK FACTORS

Investing in our securities involves certain risks. Before you invest in any of our securities, in addition to the other information included in, or incorporated by reference into, this prospectus, you should carefully consider the risk factors contained in Item 1A under the caption “Risk Factors” and elsewhere in our most recent annual report on Form 10-K, which is incorporated into this prospectus by reference, as updated by our annual or quarterly reports for subsequent fiscal years or fiscal quarters that we file with the SEC and that are so incorporated. See “Where You Can Find More Information” for information about how to obtain a copy of these documents. You should also carefully consider the risks and other information that may be contained in, or incorporated by reference into, any prospectus supplement relating to specific offerings of securities.

## USE OF PROCEEDS

We intend to use the net proceeds from our sales of the securities for general corporate purposes, unless otherwise set forth in the applicable prospectus supplement.

## PLAN OF DISTRIBUTION

We may use this prospectus to offer our common stock in one or more offerings. The applicable prospectus supplement will describe the amounts, prices and detailed terms of the common stock and may describe risks associated with an investment in the common stock.

We may offer and sell the securities to or through one or more underwriters, dealers or agents, or directly to purchasers. We, as well as any agents acting on our behalf, reserve the sole right to accept or to reject in whole or in part any proposed purchase of our securities. Each prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of our securities described in that prospectus supplement and any applicable fee, commission or discount arrangements with them.

This prospectus may not be used to sell securities unless accompanied by the applicable prospectus supplement.

## DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is intended as a summary only and therefore is not complete. This description is based upon, and is qualified by reference to, our Amended and Restated Certificate of Incorporation, and our Amended and Restated Bylaws, each as amended from time to time, and by applicable provisions of Oklahoma corporate law. You should read our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws, which are filed as exhibits to the registration statement of which this prospectus forms a part, for the provisions that are important to you. See "Where You Can Find More Information."

### General

Our Amended and Restated Certificate of Incorporation authorizes us to issue up to 20,000,000 shares of common stock, par value \$1.00 per share.

As of December 31, 2016, there were 15,810,935 shares of common stock outstanding and approximately 707,450 shares issuable upon exercise of outstanding stock options (with 325,200 shares issuable under presently exercisable stock options).

### Common Stock

#### Voting Rights

Each holder of shares of BancFirst Corporation's common stock is entitled to one vote for each share held on all questions submitted to a vote at a meeting of shareholders. There are no cumulative voting rights in the election of directors.

Generally, all matters to be voted on by shareholders must be approved by a majority of the Company's outstanding voting power. Except as otherwise required by the Oklahoma General Corporation Act (the "OGCA"), or voting rights granted to any subsequently issued preferred stock, the common stock is the only class of capital stock entitled to vote on any matter to be voted on by the Company's shareholders.

#### Dividends

Our board of directors may declare, at its discretion, dividends payable in cash or shares of BancFirst Corporation to the extent permitted by applicable law.

#### Other Rights

Subject to the prior rights of our creditors, and after payment in full of the amounts required to be paid to holders of preferred stock, if any, in the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to holders of shares of common stock. No shares of any class of common stock are subject to redemption or have preemptive rights to purchase additional shares of common stock.

#### Listing

Our common stock is listed on the NASDAQ Global Select Market under the symbol "BANF."

### Transfer Agent and Registrar

The transfer agent and registrar for our common stock is BancFirst Trust and Investment Management.

### Preferred Stock

The Company's Amended and Restated Certificate of Incorporation authorizes the Board of Directors of the Company to issue from time to time up to an aggregate of 10,000,000 shares of Senior Preferred Stock, par value \$1.00 per share, in one or more series without further stockholder approval. The Board of Directors is authorized, without further stockholder approval, to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each such series thereof, including the dividend rights, dividend rates,

conversion rights, voting rights, terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of such series.

The Amended and Restated Certificate of Incorporation also authorizes 900,000 shares of a class of non-voting 10% Cumulative Preferred Stock, par value \$5.00 per shares, redeemable at the Company's option at \$5.00 per share plus accumulated dividends.

At December 31, 2016, no shares of any class of the Company's preferred stock were issued or outstanding.

#### Certain Provisions of Oklahoma Law and Certain Charter and By-law Provisions

The following sets forth certain provisions of the OGCA, and our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws.

#### Shareholder Meetings

Our Amended and Restated Bylaws provide that special meetings of the shareholders may be called by our Chairman, the President or the Board of Directors, and shall be called by our President or Secretary at the request in writing of shareholders owning not less than 10% of all the shares entitled to vote at the meeting. A request for a special meeting must state the purpose of the proposed meeting. Business transacted at a special meeting shall be limited to the purposes stated in the notice of such meeting.

#### Action by Shareholders without a Meeting

Section 1073(A) of the OGCA permits shareholder action by written consent of the shareholders holding not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote thereon were present and voted. Our Amended and Restated Bylaws provide that shareholders have the authority to take any action by written consent without a meeting if signed by a majority of the holders of shares who would be entitled to vote at a meeting for such purpose and such written consent is filed with the secretary of the Company and made a part of the corporate records.

#### Director Removal



Our Bylaws provide that any or all of our directors may be removed from office, with or without cause only, at any time by the affirmative vote of not less than 66 2/3% of the then outstanding shares of stock of the Company entitled to vote in the election of directors.

#### Term of Directors

Our Amended and Restated Certificate of Incorporation provides for the annual election of the entire Board of Directors, to hold office until their successors are elected and qualified, or until death or retirement or until resignation or removal in the manner provided in our Amended and Restated Bylaws.

#### OGCA Business Combination Statute

We are subject to the interested shareholder business combinations provisions of Section 1090.3 of the OGCA, which provide that an Oklahoma corporation may not engage in certain business combinations, including mergers, share exchanges and asset sales, with a person, or an affiliate or associate of such person, who is an "Interested Shareholder" (generally defined as the holder of 15% or more of the corporation's voting shares) for a period of three years from the date such person became an Interested Shareholder unless: (1) the business combination or purchase or acquisition of shares made by the Interested Shareholder was approved by the board of directors of the corporation before the Interested Shareholder became an Interested Shareholder, (2) upon consummation of the transaction that resulted in the person becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of the outstanding voting stock of the corporation, or (3) the business combination was approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting shares of the corporation not beneficially owned by the Interested Shareholder or an affiliate or associate of the Interested Shareholder, at a meeting of shareholders called for that purpose (and not by written consent). Neither our Amended and Restated

Certificate of Incorporation nor our Amended and Restated Bylaws contain any provision expressly providing that we will not be subject to the interested shareholder business combinations provisions of the OGCA. The interested shareholder business combinations provisions of the OGCA may have the effect of inhibiting a non-negotiated merger or other business combination involving the Company, even if such event(s) would be beneficial to our shareholders.

In addition, Article 9 of our Amended and Restated Certificate of Incorporation requires that certain minimum price and procedural requirements be observed by any party that becomes an Interested Shareholder and then seeks to accomplish a merger or other business combination or transaction that would eliminate or could significantly change the interests of the remaining shareholders, unless approved by a majority of "Continuing Directors," as defined in Article 9.

#### Limitations on Liability and Indemnification of Directors and Officers

Our Amended and Restated Certificate of Incorporation limits the liability of our directors to the fullest extent permitted by the OGCA. The OGCA currently prohibits the elimination of personal liability for monetary damages for (1) a breach of the director's duty of loyalty, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) any transaction from which the director derived an improper personal benefit, or (4) acts or omissions for which the liability of a director is expressly provided by an applicable statute.

As permitted by the OGCA, our Amended and Restated Bylaws provide that:

•The Company will indemnify its current and former directors and officers and anyone who is or was serving at our request as the director or officer of another entity, subject to limited exceptions; and

•The Company may purchase and maintain insurance on behalf of its current or former directors and officers against any liability asserted against them and incurred by them in any such capacity, or arising out of their status as such.

•The Company may advance expenses to its directors and officers in connection with a legal proceeding, subject to receiving an undertaking from such director or officer to repay advanced amounts if it is determined he or she is not entitled to indemnification.

#### LEGAL MATTERS

Unless otherwise indicated in the applicable prospectus supplement, the validity of the securities will be passed upon for us by Connor & Winters, LLP, Oklahoma City, Oklahoma. Certain legal matters will be passed upon for any underwriters by the counsel to such underwriters specified in the applicable prospectus supplement.

#### EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from BancFirst's Annual Report on Form 10-K for the year ended December 31, 2015, and the effectiveness of BancFirst Corporation's and subsidiaries' internal control over financial reporting, have been audited by BKD LLP, an independent registered public accounting firm, as stated in its report, which is incorporated herein by reference. Such financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

i) An increase in exploration expenditure written off from A\$13,000 in fiscal 2002 to A\$198,000 (US\$132,000) in fiscal 2003. The Company commenced a new business activity in late fiscal 2002 being mineral exploration and has adopted an accounting policy whereby prospecting and exploration costs are written off against earnings as incurred. During the year, the Company entered into an arrangement in Tibet in China (see Item 1 Business General and History of the Company). This arrangement was subsequently cancelled however the Company incurred exploration expenditure totalling A\$109,000 (US\$73,000) in the form of salaries, consulting fees, travel and accommodation and legal expenses. There was no comparable transaction in the prior year. In addition, exploration in Canada continued during the year with the staking of claims in the Committee Bay Greenstone Belt (see Item 1 Business Canadian Exploration Properties). Exploration expenditure in Canada amounted to A\$88,000 (US\$54,000) in the form of staking costs, consulting fees and miscellaneous costs. ii) An increase in interest expense from A\$90,000 in fiscal 2002 to A\$133,000 (US\$89,000) in fiscal 2003 as a result of the increase in debt owing to Chevas Pty Ltd ( Chevas ) and AXIS Consultants. During the year, the interest rate of 8.60% was charged on outstanding amounts by Chevas did not change. Chevas is a company associated with Mr. J.I. Gutnick, President of Bay Resources Ltd, which has provided funding for the Company s operations during the year. AXIS Consultants provides management and geological services to the Company pursuant to a Service Deed dated 25 November

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1988. AXIS Consultants charged interest at a rate between 9.60% and 10.10% for fiscal 2003 compared to and for fiscal 2002.

- iii) An increase in legal, accounting and professional costs from A\$21,000 in fiscal 2002 to A\$75,000 (US\$50,025) in fiscal 2003. During fiscal 2003, the Company incurred legal expenses in respect to the proposed exploration in Tibet China (see item 1 Business General) amounting to A\$12,448 (US\$8,303) for which there was no comparable transaction in fiscal 2002. The Company also incurred legal fees in fiscal 2003 of A\$6,875 (US\$4,607) for advice in respect to a potential listing on Toronto venture exchange and sundry corporate matters for which there was no comparable transactions in fiscal 2002. The Company has also changed independent accountants during the year (see Item 9 Changes in and Disagreements with Accountants and Accounting and Financial Disclosure) and as a result, has incurred additional costs of A\$20,000 (US\$13,333) for which there was no comparable amount in fiscal 2002.
- iv) An increase in administrative costs from A\$218,000 to A\$278,000 (US\$184,000). During fiscal 2003, the management fee charges by AXIS Consultants to the Company reduced from A\$150,000 to A\$120,000 (US\$80,040), a reduction of A\$30,000 (US\$20,000) which was as a result of AXIS Consultants charging the Company separately for direct costs incurred on its behalf. In fiscal 2003, AXIS Consultants charged the Company A\$94,000 (US\$62,690) for Director's fees and salaries incurred on behalf of the Company compared to A\$17,000 in fiscal 2002. The increase relates to fees paid to a second independent Director who joined the board during the year, and the cost of the President and Chief Executive officer, Director secretary and Chief Financial officer and other staff of AXIS Consultants who provided services to the Company.

Accordingly, the loss from operations increased from A\$342,000 for the year ended June 30, 2002 to A\$684,000 (US\$456,000) for the year ended June 30, 2003.

The net loss amounted to A\$681,000 (US\$454,000) for the year ended June 30, 2003 compared to a net loss of A\$342,000 for the year ended June 30, 2002. The net loss per common equivalent share in 2003 was A\$0.11 cents (US\$0.07) compared with a net loss with a common equivalent share of A\$0.05 cents in the prior year.

**Year ended June 30, 2002 versus Year ended June 30, 2001**

Total costs and expenses have decreased from A\$407,000 for the year ended June 30, 2001 to A\$342,000 for the year ended June 30, 2002. The decrease was a net result of:

- i) An increase in exploration expenditure written off from A\$nil to A\$13,000. The Company has commenced a new business activity in fiscal 2002 being exploration and has adopted an accounting policy whereby prospecting and exploration costs are written off against earnings as incurred. There was no comparable activity in the prior year.
- ii) An increase in interest expense from A\$69,000 to A\$90,000 as a result of the increase in debt owing to Chevas Pty Ltd (Chevas), which was partially offset by a reduction in interest rates. Chevas is a company

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associated with Mr. J.I. Gutnick, President of Bay Resources Ltd, which has provided funding for the Company's operations during the year.

iii) A decrease in legal, accounting and professional costs from A\$43,000 to \$21,000. In fiscal 2001 the Company utilised legal services as part of the due diligence exercise undertaken on a potential investment in St Andrew Goldfields Ltd. There was no comparable cost in fiscal 2002.

iv) A decrease in administrative costs from A\$295,000 to A\$218,000. In fiscal 2001 the Company incurred costs including consultants fees and travel and accommodation costs as part of the due diligence exercise undertaken on a potential investment in St Andrew Goldfields Ltd. There was no comparable cost in fiscal 2002.

Accordingly, the loss from operations decreased from A\$407,000 for the year ended June 30, 2001 to A\$342,000 for the year ended June 30, 2002.

In fiscal 2001, the Company recorded a permanent decline in its investment in SCNV Acquisition Corp amounting to A\$4,516,000 when it decide to write off the value of that investment as it did not believe that there was any chance of recovering that investment. There was no comparable transaction in fiscal 2002.

The net loss amounted to A\$342,000 for the year ended June 30, 2002 compared to a net loss of A\$4,923,000 for the year ended June 30, 2001. The net loss per common equivalent share was A\$0.05 cents compared with a net loss with a common equivalent share of A\$0.78 cents in the prior year.

**Liquidity and Capital Resources**

As of June 30, 2003 the Company had short-term obligations of A\$158,000 (US\$105,000) consisting mainly of accounts payable and accrued expenses.

The Company also had long-term obligations of A\$1,240,000 (US\$826,000) at June 30, 2003 which were amounts owed to Chevas Pty Ltd of which Mr. J.I. Gutnick, President of the Company, is a Director; A\$47,000 (US\$31,000) which were owed to Mr. J.I. Gutnick, President of the Company; and A\$486,000 (US\$342,000) which were owed to AXIS Consultants. Each of Chevas, AXIS Consultants and Mr Gutnick have advised the Company in writing that it is not their intention to call the amounts owed prior to September 30, 2004.

The Company anticipates that it will be able to defer repayment of certain of its short-term loan commitments until it has sufficient liquidities to enable these loans to be repaid or other arrangements can be put in place for repayment of these debts. Other than the arrangements noted above, the Company has not confirmed any other arrangements for ongoing funding. As a result, the Company may be required to raise funds by additional debt or equity offerings and or increased revenues for operations in order to meet its cash flow requirements during the forthcoming year of which there can be no assurance.

The Company's ability to continue operations through fiscal 2004 is dependent upon future funding from affiliated entities, capital raisings, or its ability to commence revenue producing operations and positive cash flows.

The Report of the Company's independent public accountants with respect to the Company's financial statements for the fiscal year ended June 30, 2003 contains an

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explanatory paragraph with respect to the Company's ability to continue as a going concern.

**Cautionary Safe Harbour Statement under the United States Private Securities Litigation Reform Act of 1995.**

Certain information contained in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Act of 1995 (the Act), which became law in December, 1995. In order to obtain the benefits of the safe harbor provisions of the Act for any such forward-looking statements, the Company wishes to caution investors and prospective investors about significant factors which, among others, have in some cases affected the Company's actual results and are in the future likely to affect the Company's actual results and cause them to differ materially from those expressed in any such forward-looking statements. This Form 10-K contains forward-looking statements relating to future financial results. Actual results may differ as a result of factors over which the Company has no control, including, without limitation, the risks of exploration and development stage projects, political risks of development in foreign countries, risks associated with environmental and other regulatory matters, mining risks and competitors, the volatility of gold prices and movements in foreign exchange rates.

**Impact of Australian Tax Law**

Australian resident corporations are subject to Australian income tax on their non-exempt worldwide assessable income (which includes capital gains), less allowable deductions, at the rate of 30%. Foreign tax credits are allowed where tax has been paid on foreign source income, provided the tax credit does not exceed 30% of the foreign source income.

Under the U.S./Australia tax treaty, a U.S. resident corporation such as the Company is subject to Australian income tax on net profits attributable to the carrying on of a business in Australia through a permanent establishment in Australia. A permanent establishment is a fixed place of business through which the business of an enterprise is carried on. The treaty limits the Australian tax on interest and royalties paid by an Australian business to a U.S. resident to 10% of the gross interest or royalty income unless it relates to a permanent establishment. Although the Company considers that it does not have a permanent establishment in Australia, it may be deemed to have such an establishment due to the location of its administrative offices in Melbourne. In addition the Company may receive interest or dividends from time to time.

**Impact of Australian Governmental, Economic, Monetary or Fiscal Policies**

Although Australian taxpayers are subject to substantial regulation, the Company believes that its operations are not materially impacted by such regulations nor is it subject to any broader regulations or governmental policies than most Australian taxpayers.

**Impact of Recent Accounting Pronouncements**

For a discussion of the impact of recent accounting pronouncements on the Company's financial statements, see Note 2 to the Company's Consolidated Financial Statements which are attached hereto.

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**Item 7A Quantitative and Qualitative Disclosures about Market Risk**

Bay Resources is exposed to interest rate risk primarily through its loan facilities. The Company utilizes these borrowings to meet its working capital needs.

At June 30, 2003, the Company had outstanding borrowings of approximately \$1,726,000 under its Loan Facilities. In the event that interest rates associated with these facilities were to increase 100 basis points, the impact on future cash flows would be a decrease of approximately \$17,260 annually.

**Item 8. See Item 14**

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

a) Resignation of Previous Independent Accountant.

- i. By letter dated, July 30, 2003, David T. Thomson P.C. ( DTT ) informed Bay Resources Ltd., a Delaware corporation (the Company ) that DTT intended to resign as the Company s independent accountants.
- ii. The report of DTT on the Company s consolidated financial statements as of and for the fiscal years ended June 30, 2001 and 2002 did not contain any adverse opinion or disclaimer of opinion, and was not qualified or modified as to audit scope or accounting principle; such report did include an explanatory paragraph discussing an uncertainty as to the Company s ability to continue as a going concern. DTT did not perform an audit of the Company s consolidated financial statements as of and for the fiscal year ended June 30, 2003.
- iii. In connection with its audits for the years referred to above and through July 30, 2003, there have not been any disagreements with DTT on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of DTT, would have caused DTT to make reference thereto in their report on the Company s financial statements for such years.
- iv. During fiscal 2001 and 2002 and through July 30, 2003, there have been no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

(b) Appointment of New Independent Accountant.

- i. On August 1, 2003, the Company engaged PKF, Certified Public Accountants, a Professional Corporation ( PKF ), as the Company s independent accountants commencing with the audit of the Company s financial statements for the fiscal year ended June 30, 2003.



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- ii. Prior to engaging PKF, the Company consulted with PKF as to its qualifications, experiences and ability to audit the Company's financial statements. The Company and PKF did not have substantive discussions regarding the application of accounting principles to a specified transaction, either complete or proposed, or the type of audit opinion that might be rendered on the Company's financial statements and there are no written reports nor oral advice provided by the new accountants used in deciding to retain PKF. Further, as noted there was no matter that was the subject of a disagreement as described in Item 304(a)(1)(iv) of Regulation S-K, promulgated by the SEC.
- (c) The change of accountants referenced herein was approved by the Company's independent Audit Committee on August 1, 2003 and Board of Directors on August 1, 2003. The Company's Audit Committee is made up wholly of independent Directors.

**Item 9A Controls and Procedures**

- (a) Evaluation of disclosure controls and procedures. The Company's principal executive officer and its principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, such principal executive officer and principal financial officer concluded that, the Company's disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, can not provide absolute assurance that the objectives of the controls system, no matter how well designed and operated, can not provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.
- (b) Change in Internal Control over Financial Reporting.

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

**Table of Contents****PART III****Item 10. Directors and Executive Officers of the Registrant**

The following table sets out certain information in relation to each person who held a position of Director and/or executive officer of the Company during the year ended June 30, 2003.

<b>Name</b>	<b>Age</b>	<b>Position(s) Held</b>
Joseph Gutnick	51	Chairman of the Board President, Chief Executive Officer and Director.
David Tyrwhitt	65	Director.
Peter Lee	46	Director, Secretary, Chief Financial Officer and Principal Accounting Officer.
David Prentice	40	Director
Paul Ehrlich	45	Director

**Joseph Gutnick**

Mr Gutnick has been the Chairman of the Board, President and Chief Executive Officer of the Company since March, 1988. Mr Gutnick has been a Director of numerous public listed companies in Australia specialising in the mining sector since 1980. Mr. Gutnick is Executive Chairman of Tahera Corporation, a company that is listed on Toronto Stock Exchange. He is a Fellow of the Australasian Institute of Mining & Metallurgy and the Australian Institute of Management and a member of the Australian Institute of Company Directors.

**David Tyrwhitt**

Dr Tyrwhitt was appointed a Director of the Company in November 1996. He is a geologist, holding a Bachelor of Science and PhD degrees and has 40 years experience in mineral exploration and management development and operation of gold mines in Australia. Dr Tyrwhitt is a Director of several public listed companies in Australia in the mining industry.

**Peter Lee**

Mr Lee has been Chief Financial Officer and Principal Accounting Officer since August 1989 and was appointed a Director of the Company in February 1996. Mr Lee is a Member of the Institute of Chartered Accountants in Australia, a Fellow of Chartered Secretaries Australia Ltd., and holds a Bachelor of Business (Accounting) from Royal Melbourne Institute of Technology. He has over 20 years commercial experience and is currently General Manager Corporate and Company Secretary of several listed public companies in Australia.

**David Prentice**

Mr. Prentice has over 15 years experience in the mining industry in both land management and business development. He has extensive experience in managing the commercial aspects of publicly listed exploration and mining companies, including business and project analysis support (playing an active role in the growth

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of companies by assisting with the identification and analysis of potential acquisition opportunities), negotiating and managing land access and Joint Venture agreements and managing legislative compliance (including Native Title, Environmental and Mining legislation across Australia).

**Paul Ehrlich**

Mr. Ehrlich is an attorney of 20 years experience in the fields of commercial law and commercial litigation. From 1989 to 2001 Mr. Ehrlich was a partner in a major national Australian law firm. He has expertise in a range of corporate areas including mergers and acquisition (with an emphasis on public company takeovers, litigation and trade sales), securities law, public raisings, IPO s, government privatisation, corporate reconstructions and the negotiation and drafting of complex contractual and commercial arrangements. Mr. Ehrlich specialises in areas of complex corporate litigation and has conducted such litigation on behalf of clients in the Supreme Courts of Victoria, New South Wales, South Australia, Western Australia and in the Federal Court of Australia and in the High Court of Australia. He also specialises in all areas of mining resource law and project finance.

Mr. Gutnick was formerly the Chairman of the Board, Dr. Tyrwhitt was formerly an independent Director and Mr. Lee was formerly Company Secretary of Centaur Mining & Exploration Ltd., an Australian corporation, which commenced an insolvency proceeding in Australia in March 2001.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, the Company s Directors, executive officers and beneficial owners of more than 10% of the outstanding Common Stock are required to file reports with the Securities and Exchange Commission concerning their ownership of and transactions in the Company s common Stock and are also required to provide the Company with copies of such reports. Based solely on such reports and related information furnished to the Company, the Company believes that in fiscal 2003 all such filing requirements were complied with in a timely manner by all Directors and executive officers.

**Item 11. Executive Compensation**

The following table sets forth the annual salary, bonuses and all other compensation awards and pay outs on account of the Company s Chief Executive Officer for services rendered to the Company during the fiscal year ended June 30, 2003, 2002 and 2001. No other executive officer received more than \$100,000 per annum during this period.

Summary Compensation Table

Name and Principal Position	Annual Compensation		Long Term Compensation Awards	
	Year	Salary/Director's Fees	Restricted Stock Awards	Securities Underlying Options
Joseph Gutnick, Chairman of the Board and CEO	2003	\$ 28,553 <sup>(1)(2)</sup>		
	2002	\$ 108,000 <sup>(1)(2)</sup>		
	2001	\$ 54,198 <sup>(1)(2)</sup>		

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1. The salaries listed were paid by the Company to AXIS Consultants Pty, Ltd., which provides the services of Mr. Gutnick, Mr Lee and Mr Prentice as well as certain other officers and employees to the Company.

2. Excludes options granted to Edensor of which Mr JI Gutnick is a Director and Shareholder (see Item 13 Certain Relationships and Related Party Transactions)

For additional information about the Service Agreement and the Consulting Agreement see *Item 1- Business- Employees* and *Item 13- Certain Relationships and Related Transactions* .

The Company has a policy that it will not enter into any transaction with an officer, Director or affiliate of the Company or any member of their families unless the transaction is approved by a majority of the disinterested non-employee Directors of the Company and the disinterested majority determines that the terms of the transaction are no less favourable to the Company than the terms available from non-affiliated third parties or are otherwise deemed to be fair to the Company at the time authorised.

**Compensation Pursuant to Plans**

The Company does not directly employ any employees nor does it have any pension or profit sharing plans and no contributions were made to any employee benefit or health plan during the year ended June 30, 2003.

**Compensation to Directors**

It is the policy of the Company to reimburse Directors for reasonable travel and lodging expenses incurred in attending Board of Directors meetings.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets out, to the best of the Company's knowledge, the numbers of shares in the Company beneficially owned as at June 30, 2003 by:

- (i) each of the present Executive Officers and Directors of the Company,
- (ii) each person (including any group as that term is defined in Section 13(d)(3) of the Securities Exchange Act) who beneficially owns more than 5% of the Common Stock, and
- (iii) all present Directors and officers of the Company as a group.

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Name	Number of Shares Owned	Percentage of Shares (1)
Edensor Nominees Pty Ltd	9,751,733	78.9
Joseph Gutnick	9,803,383(2)(3)	79.4
	(4)(5)(6)(7)	
Stera Gutnick	9,777,383(4)(5)(6)(7)	79.2
Delkern Investments Ltd	3,250,578(8)	38.9
David Tyrwhitt	(2)	
Peter Lee	(2)	
David Prentice	(2)	
Paul Ehrlich		
	_____	_____
All officers and Directors As a group	9,803,383	79.4
	_____	_____

**Notes relating to Item 12:**

- (1) Based on 6,347,089 shares outstanding
- (2) Does not include:
  - (i) 8,949 shares of Common Stock beneficially owned Gutnick Resources NL ( GKR ), or
  - (ii) 1,918 shares of Common Stock beneficially owned by Quantum Resources Limited ( QUR ),  
or
  - (iii) 229,489 shares of Common Stock beneficially owned by AXIS,  
of which companies Messrs Gutnick, Lee, Prentice and Dr. Tyrwhitt are officers and/or Directors, as they disclaim beneficial ownership of those shares.
- (3) Does not include 2,500 shares of Common Stock beneficially owned by the Company.
- (4) Includes 3,751,733 shares of Common Stock owned by Edensor Nominees Pty Ltd and 26,000 shares of Common Stock owned by Pearlway Investments Proprietary Limited, of both of which Mr Joseph Gutnick, Stera M. Gutnick and members of their family are officers, Directors and principal stockholders.

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- (5) Includes 6,000,000 options owned by Edensor.
- (6) Joseph Gutnick is the beneficial owner of 25,650 shares of Common Stock.
- (7) Joseph Gutnick and Stera Gutnick are husband and wife.
- (8) Includes 2,000,000 options owned by Delkern.

**Item 13. Certain Relationships and Related Transactions**

The Company is one of five affiliated companies of which four are Australian public companies listed on Australian Stock Exchange. Each of the companies have some common Directors, officers and shareholders. In addition, each of the companies owns equity in and is substantially dependent upon AXIS Consultants for its senior management and certain mining and exploration staff. The Company owns 9.09% of the outstanding shares of AXIS Consultants. A number of arrangements and transactions have been entered into from time to time between such companies. It has been the intention of the affiliated companies and respective Boards of Directors that each of such arrangements or transactions should accommodate the respective interest of the relevant affiliated companies in a manner which is fair to all parties and equitable to the shareholders of each. Currently, there are no material arrangements or planned transactions between the Company and any of the other affiliated companies other than AXIS Consultants.

AXIS Consultants is paid by each company for the costs incurred by it in carrying out the administration function for each such company. Pursuant to the Service Agreement, AXIS Consultants performs such functions as payroll, maintaining employee records required by law and by usual accounting procedures, providing insurance, legal, human resources, company secretarial, land management, certain exploration and mining support, financial, accounting advice and services. AXIS Consultants procures items of equipment necessary in the conduct of the business of the Company. AXIS Consultants also provides for the Company various services, including but not limited to the making available of office supplies, office facilities and any other services as may be required from time to time by the Company as and when requested by the Company.

The Company is required to reimburse AXIS Consultants for any direct costs incurred by AXIS Consultants for the Company. In addition, the Company is required to pay a proportion of AXIS Consultant s overhead cost based on AXIS Consultant s management estimate of the Company s utilisation of the facilities and activities of AXIS Consultants plus a service fee of not more than 15% of the direct and overhead costs. AXIS Consultants has not charged the 15% service fee to the Company. Amounts invoiced by AXIS Consultants are required to be paid by the Company. The Company also is not permitted to obtain from sources other than AXIS Consultants, and is not permitted itself to perform or provide, the services contemplated by the Service Agreement, unless the Company first requests AXIS Consultants to provide the service and AXIS Consultants fails to provide the service within one month.

The Service Agreement may be terminated by the Company or AXIS Consultants upon 60 days prior notice. If the Service Agreement is terminated by AXIS Consultants, the Company would be required to independently provide, or to seek an alternative source of providing, the services currently provided by AXIS Consultants. There can be no assurance that the Company could independently provide or find a third party to provide these services on a cost-effective basis or that any transition

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from receiving services under the Service Agreement will not have a material adverse effect on the Company. The Company's inability to provide such services or to find a third party to provide such services would have a material adverse effect on the Company's operations.

In accordance with the Service Agreement AXIS provides the Company with the services of the Company's Chief Executive Officer, Chief Financial Officer and clerical employees, as well as office facilities, equipment, administrative and clerical services. As compensation therefore, the Company pays AXIS for the actual costs of such facilities plus a maximum service fee of 15%. The Company paid AXIS A\$201,688 in respect of the Service Agreement for the fiscal year ended June 30, 2003, A\$169,770 for the fiscal year ended June 30, 2002 and A\$267,000 for the fiscal year ended June 30, 2001. At June 30, 2001, 2002 and 2003, the Company owed AXIS Consultants A\$185,000, A\$389,000 and A\$485,801 respectively for services provided in accordance with the Service Agreement. During fiscal 2001, 2002 and 2003, AXIS Consultants charged interest of A\$19,724, A\$29,198 and A\$46,642 respectively on outstanding balances. AXIS Consultants charged interest at rates between 9.85% and 11.10% for fiscal 2001, 9.60% and 10.10% for fiscal 2002 and 9.60% and 10.10% for fiscal 2003.

Chevas Pty Ltd, a company associated with the President of the Company, Joseph Gutnick, has provided loan funds to enable the Company to meet its liabilities and has paid certain expenses on behalf of the Company. At June 30, 2001 the Company had a liability to Chevas of A\$641,572. During the 2002 fiscal year, Chevas loaned a further A\$82,000 and charged A\$60,171 in interest to the Company on the loan account. At June 30 2002, the Company owed Chevas A\$783,743. During the 2003 fiscal year, Chevas loaned a further A\$369,155 and charged A\$86,417 in interest to the Company on the loan account. At June 30, 2003, the Company owed Chevas A\$1,239,315.

Chevas charges interest to the Company on outstanding balances of the loan account at the ANZ Banking Group Limited reference rate for overdrafts over A\$100,000 plus 1%. In accordance with this formula, the actual interest rate charged during the 2003 fiscal year was 8.60%.

On January 20, 2000, the Company issued 8,000,000 options over fully paid shares in the capital of the Company at an issue price of US\$0.01 per option and an exercise price of US\$1.00 per option to Edensor. The options have a term of 5 years with a non-exercise period of 2 years subject to a further board approval for Edensor Nominees Pty Ltd, either directly or indirectly, to exercise options in the case of a further requirement of the Company to raise working capital. On March 22, 2001, the Directors agreed to extend the term of the options from 5 years to 10 years. Edensor advised the Company in June 2003 that it had sold 2,000,000 options to Delkern Investments Ltd.

As described in the section headed "Canadian Exploration Properties" the Company has entered into an agreement to explore for gold on properties owned by Tahera. Mr Gutnick, President of the Company, is Executive Chairman of Tahera and his family company, Edensor Nominees, which is the controlling stockholder of the Company, is a shareholder of Tahera. During fiscal 2002, Tahera incurred certain exploration and administration costs in Canada on behalf of the Company amounting to A\$36,365 and this amount was owing to Tahera at June 30 2002. During fiscal 2003, Tahera incurred further exploration and administration costs in Canada on behalf of the Company amounting to A\$65,314 (US\$43,564). During fiscal 2003, Mr. J.I. Gutnick and Chevas paid Tahera A\$47,368 (US\$31,594) and A\$53,350 (US\$35,584)

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respectively on behalf of the Company. During fiscal 2002 and 2003, Tahera did not charge the Company interest on amounts outstanding. At June 30, 2003, the Company owed Tahera A\$1,361 (US\$900) and Mr. J.I. Gutnick A\$47,368 (US\$31,594).

Quantum Resources Limited ( QUR ) incurred certain costs on behalf of the Company amounting to A\$43,941 (US\$29,308) in respect to the Company s activities in Tibet China (See Item 1 Business General) as a result of QUR s contacts in China. This amount remains outstanding at June 30, 2003.

**Transactions with Management**

The Company has a policy that it will not enter into any transaction with an officer, Director or affiliate of the Company or any member of their families unless the transaction is approved by a majority of the disinterested non-employee Directors of the Company and the disinterested majority determines that the terms of the transaction are no less favourable to the Company than the terms available from non-affiliated third parties or are otherwise deemed to be fair to the Company at the time authorised.



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**PART IV**

**Item 14. Principal Accounting Fees and Services**

Not Applicable

**Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

**(a) Principal Accountant Fees and Services**

**(b) Consolidated Financial Statements and Notes thereto**

(I) The Consolidated Financial Statements and Notes thereto listed on the Index at page 1 of this Annual Report on Form 10-K are filed as a part of this Annual Report.

(ii) The Financial Data schedule as required by Item 601(c) of Regulation S-K is filed as part of this Annual Report.

**(c) Exhibits**

The Exhibits to this Annual Report on Form 10-K are listed in the Exhibit Index at page 19 of this Annual Report.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorised.

BAY RESOURCES LTD.

(Registrant)

By: /s/ Peter J Lee

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Peter J Lee  
Director, Secretary,  
Chief Financial Officer  
and Principal Financial  
and Accounting Officer

Dated: September 25, 2003

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**FORM 10-K Signature Page**

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
1. <u>/s/ Joseph Gutnick</u> Joseph Gutnick	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer), and Director.	September 25, 2003
2. <u>/s/ David Tyrwhitt</u> David Tyrwhitt	Director.	September 25, 2003
3. <u>/s/ Peter Lee</u> Peter Lee	Director, Secretary, Chief Financial Officer and Principal Financial and Accounting Officer.	September 25, 2003
4. <u>/s/ David Prentice</u> David Prentice	Director	September 25, 2003
<u>/s/ Paul Ehrlich</u> Paul Ehrlich	Director	September 25, 2003

**Table of Contents****EXHIBIT INDEX**

<b>Incorporated by Reference to:</b>	<b>Exhibit No</b>	<b>Exhibit</b>
(1) Exhibit 3.1	3.1	Certificate of Incorporation of the Registrant.
(1) Exhibit 3.2	3.2	By-laws of the Registrant.
(2) Exhibit B	3.3	Amendment to Certificate of Incorporation
(5) Exhibit A	3.4	Amendment to Certificate of Incorporation
	3.5	Amendment to Certificate of Incorporation dated October 17, 2000.
(6) Exhibit	3.4	
(3) Exhibit 10.5	10.4	Service Agreement dated November 25, 1988, by and between the Registrant and AWI Administration Services Pty Limited.
(4) Exhibit 10.5	10.5	Form of Stock Purchase Agreement among Baynet, Solmecs and SCNV.
Exhibit 10.6	10.6	Agreement with Tahera Corporation
Exhibit	21 *	List of Subsidiaries as at June 30, 2003.
Exhibit 31.1*		Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Peter James Lee.
Exhibit 31.2*		Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Joseph Isaac Gutnick.
Exhibit 32.1*		Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Joseph Issac Gutnick.
Exhibit 32.2*		Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Peter James Lee
*Filed herewith		

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**Financial Statements for the years ended June 30, 2002 and 2003.**

Bay Resources, Ltd  
Audited Consolidated Financial Statements for  
the Company and its Subsidiaries for the year  
ended June 30, 2002 and Audited Consolidated  
Financial Statements for the Company for the  
year ended June 30, 2003.

- (1) [Registrant's Registration Statement on  
Form S-1 (File No. 33-14784)].
- (2) [Registrant's Definitive Information Statement  
dated June 5, 1998].
- (3) [Registrant's Annual Report on Form 10-K for  
the fiscal year ended June 27, 1989.]
- (4) [Registrant's Form 8-K filed on July 21, 1998]
- (5) [Registrant's Definitive Information Statement  
dated August 11, 1999]
- (6) [Registrant's Annual Report on Form 10-K for  
the fiscal year ended June 30, 2000]
- (7) [Registrant's Annual Report on Form 10-K for  
the fiscal year ended June 30, 2001]

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BAY RESOURCES LTD AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2003 and 2002

(with Independent Auditor's Reports)

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**Independent Auditors Report**

To the Board of Directors and Stockholders of  
Bay Resources Ltd.

We have audited the accompanying consolidated balance sheet of Bay Resources Ltd. and Subsidiaries as of June 30, 2003, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year ended June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Resources, Ltd. and Subsidiaries at June 30, 2003, and the results of its operations and its cash flows for the year ended June 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As described in note 7, at June 30, 2003 the Company had not yet commenced revenue producing operations and had a working capital deficit of A\$154,000 (US\$102,000) and a retained deficit of A\$27,083,000 (US\$18,064,000). These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's plans in regard to these matters are also discussed in note 7.

New York, NY  
September 19, 2003

/s/ PKF  
Certified Public Accountants  
A Professional Corporation



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**David T. Thomson P.C.**

**Certified Public Accountant**

**INDEPENDENT AUDITOR S REPORT**

To the Board of Directors and Stockholders of Bay Resources Ltd

I have audited the accompanying consolidated balance sheets of Bay Resources Ltd (formerly Baynet Ltd and Bayou International, Ltd) (a Delaware corporation) and Subsidiaries at June 30, 2002 and the related consolidated statements of operations, stockholders equity (deficit) and cash flows for each of the years in the two year period ended June 30, 2002. These consolidated financial statements are the responsibility of the Company s management. My responsibility is to express an opinion on these consolidated financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Resources, Ltd. and Subsidiaries at June 30, 2002 and the results of its operations and its cash flows for each of two years in the period ended June 30, 2002, in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company and its subsidiaries will continue as going concerns. The Company and its subsidiaries have suffered recurring losses from operations, have no net working capital and have stockholders deficits. These factors raise substantial doubt as to the consolidated entity s ability to continue as a going concern. Management s plans in regard to these matters are discussed in Note (7). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Salt Lake City, Utah  
September 24, 2002

David T. Thomson, P.C.

P.O. Box 571605, Murry, Utah 84157 (801) 966 9481

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**BAY RESOURCES LTD AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**June 30, 2002 and 2003**

	Australian Dollars		Convenience
	A\$000 s 2002	A\$000 s 2003	Translation US\$000 s 2003
<b>ASSETS</b>			
Current Assets:			
Cash	\$	\$ 1	\$ 1
Receivables		3	2
Staking Deposit	23		
Total Current Assets	23	4	3
Total Assets	\$ 23	\$ 4	\$ 3
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>			
Current Liabilities Accounts Payable and Accrued Expenses	\$ 449	\$ 157	\$ 104
Short-Term Advance Affiliate	36	1	1
Total Current Liabilities	485	158	105
Long-Term Debt Affiliates	784	1,773	1,182
Total Liabilities	1,269	1,931	1,287
Stockholders Equity (Deficit):			
Common stock: \$.0001 par value 25,000,000 shares authorised, 6,347,089 shares issued	1	1	1
Less Treasury Stock, at Cost, 2,500 shares	(20)	(20)	(13)
Additional Paid-in-Capital	25,175	25,175	16,792
Retained Deficit	(26,402)	(27,083)	(18,064)
Total Stockholders Equity (Deficit)	(1,246)	(1,927)	(1,284)
Total Liabilities and Stockholders Equity (Deficit)	\$ 23	\$ 4	\$ 3

The accompanying notes are an integral part of  
these consolidated financial statements.

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BAY RESOURCES LTD AND SUBSIDIARIES  
Consolidated Statements of Operations  
For the years ended June 30, 2001, 2002 and 2003

	A\$000 s 2001	A\$000 s 2002	A\$000 s 2003	Convenience Translation US\$000 s 2003
	\$	\$	\$	\$
Revenues	\$	\$	\$	\$
Cost and expenses				
Exploration Expenditure		13	198	132
Interest Expense related entity (note 5)	69	90	133	89
Legal, Accounting and Professional	43	21	75	51
Administrative (note 6)	295	218	278	184
	<u>407</u>	<u>342</u>	<u>684</u>	<u>456</u>
(Loss) from Operations	<u>(407)</u>	<u>(342)</u>	<u>(684)</u>	<u>(456)</u>
Foreign Currency Exchange Gain (Loss)			3	2
Permanent decline of Investment	(4,516)			
	<u>(4,516)</u>		<u>3</u>	<u>2</u>
(Loss) before Income Tax	<u>(4,923)</u>	<u>(342)</u>	<u>(681)</u>	<u>(454)</u>
Provision for Income Tax				
Net (Loss)	<u>\$ (4,923)</u>	<u>\$ (342)</u>	<u>\$ (681)</u>	<u>\$ (454)</u>
Basic Net (Loss) per Common Equivalent Shares	<u>\$ (.78)</u>	<u>\$ (.05)</u>	<u>\$ (.11)</u>	<u>\$ (.07)</u>
Weighted Number of Common Equivalent Shares Outstanding (000 s)	<u>6,345</u>	<u>6,345</u>	<u>6,345</u>	<u>6,345</u>

The accompanying notes are an integral part of  
these consolidated financial statements.

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BAY RESOURCES LTD AND SUBSIDIARIES  
 Consolidated Statements of Stockholders Equity (Deficit)  
 June 30, 2001, 2002 and 2003

	Shares	Common Stock Amount	Treasury Stock, at Cost	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total
	000's	A\$000's	A\$000's	A\$000's	A\$000's	A\$000's	A\$000's
Balance June 30, 2000	6,347	\$ 1	\$(20)	\$25,175	\$(19,148)	\$(6,456)	(448)
Comprehensive Income							
Net unrealised loss on marketable securities						(49)	(49)
Net loss					(4,923)	4,516	(407)
Total Comprehensive Income							(456)
Balance June 30, 2001	6,347	\$ 1	\$(20)	\$25,175	\$(24,071)	\$(1,989)	\$ (904)
Reclassification of Permanent Decline in Investment Securities					(1,989)	1,989	
Net loss					(342)		(342)
Balance June 30, 2002	6,347	\$ 1	\$(20)	\$25,175	\$(26,402)	\$	\$(1,246)
Net loss					(681)		(681)
Balance June 30, 2003	6,347	\$ 1	\$(20)	\$25,175	\$(27,083)	\$	\$(1,927)

The accompanying notes are an integral part of  
 these consolidated financial statements.

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BAY RESOURCES LTD AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2001, 2002 and 2003

	A\$000's 2001	A\$000's 2002	A\$000's 2003	Convenience Translation US\$000's 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (Loss)	\$(4,923)	\$(342)	\$(681)	\$(454)
Adjustments to reconcile net (loss) to net cash (used) in operating activities				
Permanent Decline of Investment	4,516			
Accrued interest added to principal			133	88
Net Change In :				
Staking Deposit		(23)	23	15
Receivables			(3)	(2)
Accounts Payable and Accrued Expenses	(21)	185	(97)	(65)
Short-Term Advance Affiliates		36	(35)	(22)
	—————	—————	—————	—————
Net Cash (used in) Operating Activities	(428)	(144)	(466)	(310)
	—————	—————	—————	—————
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>				
Net Borrowing From Affiliates	427	143	467	311
	—————	—————	—————	—————
Net Cash Provided by Financing Activities	427	143	467	311
	—————	—————	—————	—————
Net Increase (Decrease) in Cash	(1)	(1)	1	1
Cash at Beginning of Year	2	1		
	—————	—————	—————	—————
Cash at End of Year	\$ 1	\$ 1	1	1
	—————	—————	—————	—————
<b>Supplemental Disclosures</b>				
Interest Paid	\$ 69	\$ 90	\$ 133	\$ 89

The accompanying notes are an integral part of  
these consolidated financial statements.

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(1) ORGANIZATION

Bay Resources, Ltd. ( Bay Resources or the Company ) is incorporated in the State of Delaware. The principal shareholder of Bay Resources is Edensor Nominees Proprietary Limited ( Edensor ), an Australian corporation. Edensor owned 78.9% of Bay Resources as of June 30, 2003. During fiscal 1998, Bay Resources incorporated a subsidiary, Baynex.com Pty Ltd (formerly Bayou Australia Pty Ltd), under the laws of Australia. Baynex.com has not traded since incorporation. On August 21, 2000 the Company incorporated a new wholly owned subsidiary, Bay International Pty Ltd, (now known as Bay Resources (Asia) Pty Ltd), a corporation incorporated under the laws of Australia. In June 2002, the Company incorporated a new wholly owned subsidiary, 4075251 Canada Inc, a corporation incorporated under the laws of Canada. 4075251 Canada Inc is the vehicle that will be used by the Company to undertake exploration activities for gold in Canada.

(1) RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has recently issued Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, SFAS No. 142, *Goodwill and Other Intangible Assets*, SFAS No. 143, *Accounting for Asset Retirement Obligations*, SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Conditions*.

SFAS No. 141, *Business Combinations*, requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS No. 142, *Goodwill and Other Intangible Assets*, addresses accounting for the acquisition of intangible assets and accounting for goodwill and other intangible assets after they have been initially recognised in the financial statements, which is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142.

Major provisions of these Statements and their effective dates for the Company are as follows:

- (i) All business combinations initiated after June 30, 2001 must use the purchase method of accounting, with the pooling of interest method of accounting prohibited.
- (ii) Intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity.

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(2) RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

- (iii) Goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001 will not be amortised. In the year of adoption, all previously recognised goodwill and intangible assets with indefinite lives will no longer be subject to amortization.
- (iv) Goodwill, tested by business segment and intangible assets with indefinite lives will be tested for impairment annually and wherever there is an impairment indicator.

Management has adopted SFAS No. 141 and 142 as of June 30, 2002 and believes there was no material impact on the Company's financial statements.

SFAS No. 143, *Accounting for Asset Retirement Obligations*, addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 will be effective for the Company for the fiscal year beginning July 1, 2003 and early adoption is encouraged. SFAS No. 143 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred and the corresponding cost capitalised by increasing the carrying amount of the related long-lived asset. The Company estimates that the new standard will not have a material impact on its financial statements.

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, is effective for the Company on July 1, 2003, and addresses accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of* and APB Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business*. SFAS No. 144 retains the fundamental provisions of SFAS No. 121 and expands the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The Company estimates that the new standard will not have a material impact on its financial statements.

SFAS No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* is effective for the Company on July 1, 2003 and records FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt and an amendment of that Statement, FASB Statement No. 64, Extinguishments of Debt made to Satisfy Sinking-Fund Requirements. This Statement also rescinds FASB Statement

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(2) RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

No. 44, Accounting for Intangible Assets of Motor Carriers. This Statement Amends FASB Statement No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changes conditions. The Company estimates that the new standard will not have a material impact on its financial statements.

(3) ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in connection with the preparation of the consolidated financial statements.

(a) Consolidation

The consolidated financial statements include the accounts of Bay Resources and the 100% interest it holds in Baynex.com Pty Ltd, Bay Resources (Asia) Pty Ltd and 4075251 Canada Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Foreign Currency Translation

The majority of Bay Resources' administrative operations are in Australia and as a result its accounts are maintained in Australian dollars. The income and expenses of its foreign operations are translated into Australian dollars at the average exchange rate prevailing during the period. Assets and liabilities of the foreign operations are translated into Australian dollars at the period-end exchange rate. Foreign currency translation adjustments have not been material for all periods presented.

(c) Financial Instruments

The following methods and assumptions were used by Bay Resources to estimate the fair values of financial instruments as disclosed herein:

- (i) Cash The carrying amount approximates fair value because of the short period to maturity of the instruments.
- (ii) Investment Securities The carrying amounts approximate fair value.



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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(3) ACCOUNTING POLICIES (Continued)

- (iii) Long-term Debt The fair value of long-term debt is estimated based on interest rates for the same or similar debt offered to Bay Resources having the same or similar remaining maturities and collateral requirements.

The fair value of all financial instruments approximate their carrying value.

- (d) Investment Securitiesz  
Management determines the appropriate classification of investment securities at the time they are acquired and evaluates the appropriateness of such classification at each balance sheet date. The classification of these securities and the related accounting policies are as follows:
- (i) Trading securities are held for resale in anticipation of short-term fluctuations in market prices. Trading securities consisting primarily of actively traded marketable equity securities are stated at fair value. Realised and unrealised gains and losses are included in income.
- (ii) Available-for-sale securities consist of marketable equity securities not classified as trading securities. Available-for-sale securities are stated at fair value and unrealised holding gains and losses net of the related deferred tax effect, are reported as a separate component of stockholders' equity.
- (iii) Dividends on marketable equity securities are recognised in income when declared. Realised gains and losses are included in income. Realised gains and losses are determined on the actual cost of the securities sold.

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BAY RESOURCES, LTD. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(3) ACCOUNTING POLICIES (Continued)

- (e) Cash  
Bay Resources considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. For the periods presented there were no cash equivalents.
- (f) Income Tax  
Income taxes are provided on financial statement income. For the periods presented there was no taxable income. There are no deferred income taxes resulting from timing differences in reporting certain income and expense items for income tax and financial accounting purposes. Bay Resources at this time is not aware of any net operating losses which are expected to be realised.
- (g) Loss per share  
Basis (loss) per share is computed based on the weighted average number of common shares and common share equivalents outstanding during the period. Dilutive loss per share has not been presented as the effects of common stock equivalents are anti-dilutive.
- (h) Exploration Expenditure  
Exploration expenditure consisting of prospecting and exploration costs are written off into operations as incurred.
- (i) Convenience Translation to US\$  
The consolidated financial statements as of and for the year ended June 30, 2003 have been translated into United States dollars using the rate of exchange of the United States dollar at June 30, 2003 (AUS \$1.00=US\$0.667). The translation was made solely for the convenience of readers in the United States.
- (j) Use of Estimates  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

	A\$000's 2002	A\$000's 2003
(4) INVESTMENT SECURITIES		
The following is a summary of Investment Securities:		
Investment in SCNV (note 8)	\$ 4,516	\$ 4,516
Investment in AXIS Consultants		
	4,516	4,516
Permanent impairment	(4,516)	(4,516)
	\$	\$
Net Carrying Value	\$	\$

The Company accounts for its 24% investment in SCNV using the cost method of accounting (see note 8). During fiscal 2001, management provided for a full valuation on the SCNV investment. The Company also has a 9% cost basis investment in AXIS Consultants, a related party, which is recorded at no value.

	A\$000's 2002	A\$000's 2003
(5) LONG-TERM DEBT		
The following is a summary of Bay Resources' borrowing arrangements from related entities as of June 30, 2002 and 2003		
Long Term		
Loan from Chevas, a corporation affiliated with the President of Bay Resources. Interest accrued at 8.6% (2002: 8.00%-8.75%) being the ANZ Banking Group Limited rate plus 1% for overdrafts over \$100,000. Repayment of loan not required before September 30, 2004. (1)	\$ 784	\$ 1,240
Loan from Mr JI Gutnick, President of Bay Resources. Repayment of non interest bearing loan not required before September 30, 2004		47
Loan from AXIS Consultants, a corporation affiliated with the President of Bay Resources. Interest accrued at 10.1% being the National Australia Bank rate plus 1.5% for overdrafts over \$100,000. Repayment of loan not required before September 30, 2004 (note 6)		486
	\$ 784	\$ 1,773
	\$	\$

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(5) SHORT TERM AND LONG-TERM DEBT (Continued)

(1) During the year ended June 30, 2000, the Company issued 8,000,000 options to purchase previously unissued stock. The options to purchase shares expire January 20, 2010 and the exercise price is US\$1.00 per share. The options were issued to Edensor, a company affiliated with the President of Bay Resources. Edensor advised the Company in June 2003 that it had sold 2,000,000 options to Delkern Investments Ltd. At June 30, 2003, all 8,000,000 options are outstanding.

(6) AFFILIATE TRANSACTIONS

Bay Resources advances to and receives advances from various affiliates. All advances between consolidated affiliates are eliminated on consolidation. Included in accounts payable and accrued liabilities at June 30, 2003 and 2002 was A\$0 and A\$389,088 due to AXIS Consultants, an affiliated management company (see note 5). During the years ending June 30, 2003, 2002 and 2001, Bay Resources paid management fees to this affiliated management company in the amounts A\$201,688, A\$169,770 and A\$267,000 respectively. At June 30, 2001, 2002 and 2003, the Company owed AXIS Consultants A\$185,000, A\$389,088 and A\$485,801 respectively for services provided in accordance with the Service Agreement. During fiscal 2001, 2002 and 2003, AXIS Consultants charged interest of A\$19,724, A\$29,198 and A\$46,642 respectively on outstanding balances. These entities are affiliated through common management and ownership.

Chevas Pty Ltd, a company associated with the President of the Company, Joseph Gutnick, has provided loan funds to enable the Company to meet its liabilities and has paid certain expenses on behalf of the Company. At June 30, 2001 the Company had a liability to Chevas of A\$641,572. During the 2002 fiscal year, Chevas loaned a further A\$82,000 and charged A\$60,171 in interest to the Company on the loan account. At June 30 2002, the Company owed Chevas A\$783,743. During the 2003 fiscal year, Chevas loaned a further A\$369,155 and charged A\$86,417 in interest to the Company on the loan account. At June 30, 2003, the Company owed Chevas A\$1,239,315.

During fiscal 2002, Tahera incurred certain exploration and administration costs in Canada on behalf of the Company amounting to A\$36,365 and this amount was owing to Tahera at June 30 2002. During fiscal 2003, Tahera incurred further exploration and administration costs in Canada on behalf of the Company amounting to A\$65,314 (US\$43,564). During fiscal 2003, Mr. J.I. Gutnick and Chevas paid Tahera A\$47,368 (US\$31,594) and A\$53,350 (US\$ 35,584) respectively on behalf of the Company. During fiscal 2002 and 2003, Tahera did not charge the Company interest on amounts outstanding. At June 30, 2003, the Company owed Tahera A\$1,361 (US\$900) and Mr. J.I. Gutnick A\$47,368 (US\$31,594).

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(6) AFFILIATE TRANSACTIONS (Continued)

Quantum Resources Limited incurred certain costs on behalf of the Company amounting to A\$43,941 (US\$29,308) in respect to the Company's activities in Tibet China as a result of QUR's contacts in China. This amount remains outstanding and is included in accounts payable and accrued expenses at June 30, 2003

(7) GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of Bay Resources as a going concern. However, Bay Resources has sustained recurring losses. In addition, Bay Resources has a net working capital deficiency which raises substantial doubts as to its ability to continue as a going concern.

Bay Resources anticipates that it will be able to defer repayment of certain of its short term loan commitments until it has sufficient liquidity to enable these loans to be repaid or other arrangements to be put in place.

In addition Bay Resources has historically relied on loans and advances from corporations affiliated with the President of Bay Resources. Based on discussions with these affiliate companies, Bay Resources believes this source of funding will continue to be available.

Other than the arrangements noted above, Bay Resources has not confirmed any other arrangement for ongoing funding. As a result Bay Resources may be required to raise funds by additional debt or equity offerings in order to meet its cash flow requirements during the forthcoming year.

The Company's ability to continue operations through fiscal 2004 is dependent upon future funding from affiliated entities, capital raisings, or its ability to commence revenue producing operations and positive cash flows.

(8) INVESTMENT IN SCNV

Pursuant to a stock purchase agreement dated as of June 5, 1998, the Company acquired 499,701 shares in SCNV Acquisition Corp ( SCNV ), a related entity, representing approximately 24% of the issued and outstanding share capital of SCNV. The 499,701 shares has been valued at US\$2,800,000 or A\$4,516,000 and has been accounted for using the lower of cost or net realisable value method because the Company does not exercise significant influences over SCNV's operating and financial activities (see note 4)

SCNV is a Delaware corporation established May 1997 to select, develop and commercially exploit proprietary technologies, in various stages of development, invented primary by scientists who have been recently immigrated to Israel from the USSR and by scientists and institutions in Russia and other countries that formerly comprised the Soviet Union. Simultaneously with the SCNV stock.

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(8) INVESTMENT IN SCNV (Continued)

acquisition by the Company, SCNV completed an initial public offering of common stock and warrants.

The Company has been granted certain demand and piggyback registration rights with respect to the SCNV shares. Bay Resources has requested SCNV to take the necessary steps to register Bay Resources shareholding in SCNV. The Company does not currently have any plans to distribute the shares.

(9) INCOME TAXES

Bay Resources files its income tax returns on an accrual basis. Bay Resources should have carry forward losses of approximately US\$18.8 million as of June 30, 2003 which will expire in the years 2004 through 2022. Bay Resources will need to file tax returns for those years having losses on which returns have not been filed to establish the tax benefits of the net operating loss carry forwards. Due to the uncertainty of the availability and future utilization of those operating loss carryforwards, management has provided a full valuation against the related tax benefit. The valuation allowance increased from US\$6.2 million at June 30, 2002 to US\$6.3 million at June 30, 2003.

(10) CANADIAN AGREEMENT

During the 2002 fiscal year, Bay Resources continued to expand its gold exploration business by entering into an agreement to explore for gold on extensive property interests in northern Canada held by Tahera Corporation; and making application via a new 100% owned subsidiary, 4075251 Canada Inc, for properties in the highly prospective Committee Bay Greenstone Belt in Nunavut, Canada.

Bay Resources currently holds 28 claims totaling 71,576 acres in the Committee Bay Greenstone Belt in central Nunavut, Canada. These claims were recorded on October 16, 2002. To keep the claims in good standing, a total of CN\$286,304 of assessment work is required to be completed by the anniversary date of October 16, 2004. CN\$143,152 (CN\$2 per acre) is required in each subsequent year up to 2012 (at which point a decision to bring the claims to lease must be made).

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BAY RESOURCES LTD AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
June 30, 2003 and 2002

(11) SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	FISCAL YEAR ENDED							
	June 30, 2002				June 30, 2003			
	A\$000 s							
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues								
Loss from Operations	(100)	(123)	(96)	(23)	(110)	(217)	(122)	(232)
(Loss) Before Income Taxes	(100)	(123)	(96)	(23)	(110)	(217)	(122)	(232)
Net (Loss)	(100)	(123)	(96)	(23)	(110)	(217)	(122)	(232)
(Loss) per Common Equivalent Share	(.02)	(.02)	(.02)	(.00)	(.02)	(.03)	(.02)	(.04)