



MATRIX METALS
LIMITED

ABN 42 082 593 235

and its controlled entities

Half – Year Financials

31 December 2000

**Matrix Metals Limited
and its controlled entities**

Corporate Directory

Directors

Gordon M. Freeman
Non Executive Chairman

Andrew P. Chapman
Chief Executive Officer

James K. Williams
Non Executive Director

David J. Humann
Non Executive Director

Company Secretary

Shane B. McBride
*Chief Financial Officer
and Company Secretary*

Registered Office

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Website: www.matrixmetals.com.au

Share Registry

Advanced Share Registry Services
Level 7, 200 Adelaide Terrace
PERTH Western Australia 6000
Telephone: (08) 9221 7288
Facsimile: (08) 9221 7869

Solicitors

Blake Dawson Waldron
Level 19, Forrest Centre
221 St George's Terrace
PERTH Western Australia 6000

Auditors

KPMG
Level 31, Central Park
152-158 St George's Terrace
PERTH Western Australia 6000

Stock Exchange Listing

The Company's shares are listed on the
Australian Stock Exchange
ASX Code: MRX

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**Matrix Metals Limited
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Directors' report

The directors present their report together with the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2000 and the review report thereon.

Directors

The names and particulars of the directors of Matrix Metals Limited holding office at any time during or since the end of the financial year are:

Mr Gordon M. Freeman ACSM, FIMM, C.Eng Appointed 21 March 2000
Non Executive Chairman

Mr Freeman brings in excess of 40 years international resource industry experience to the Company covering the areas of corporate management, marketing, project development and production management. Positions held by Mr Freeman include Chief Executive of Hartley Platinum (Zimbabwe), Chief Executive Officer of BHP Iron Ore and General Manager of Rössing Uranium Ltd (Rio Tinto ~ Namibia). He has also held several significant positions with various industry bodies including Vice President of the Western Australian Chamber of Mines, Chairman of the Pilbara Iron Ore Producers' Association, Counsellor of the West Australian Confederation of Industry and a Member of both the Japan-Australia and Taiwan-Australia Business Councils.

Mr Andrew P. Chapman CP Eng, M.Aus.IMM, M.I.E.Aust Appointed 2 February 2000
Chief Executive Officer

Mr Chapman has 20 years experience in the resource industry predominantly focused in the base metals and gold sectors, with this experience base broadly spread across the areas of exploration, project evaluation, development and operations. He has been directly responsible for the development and commissioning of two gold projects within Australia and involved to varying degrees in many other project evaluations and developments both within Australia and internationally. He has a depth of corporate experience including, most recently, holding the position of Managing Director with a listed gold exploration company involved in exploration projects in both Queensland and Western Australia. Mr Chapman was an inaugural director of The Australian Gold Council.

Mr James K. Williams ACSM, F Aus.IMM, MIMM, CEng Appointed 28 February 2000
Non Executive Director

Mr Williams is a qualified mining engineer with over 40 years experience in the industry covering both open cut and underground mining operations in a host of locations worldwide. This international experience includes 13 years on the Zambian Copper belt, four years in gold mining operations in South Africa, through to holding the position of Chief Executive Officer with a gold mining company overseeing the development of a project in Indonesia. He has a long history in the consultancy field including the management of his own business for 15 years. Most recently he held the position of Principal Resource Consultant with international merchant bank, Dresdner Kleinwort Benson.

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Directors' report (continued)

Mr David J. Humann FCA, FCPA
Non Executive Director

Appointed 21 March 2000

Mr Humann is a Certified Practising Accountant with 40 years international experience predominantly with the accountancy firm, PricewaterhouseCoopers. He was a member of Pricewaterhouse World Board of Directors and its executive World Management Committee based in London and New York. He also held the positions of Chairman and Senior Partner of Pricewaterhouse - Hong Kong and China and Managing Partner Asia Pacific. Mr Humann is currently Chairman of MacMahon Holdings Limited and a director of ERG Limited, Iscor Australia Pty Ltd (Group) and Mincor Ltd.

Review of Operations

Production of cathode copper for the period was below forecast primarily as the result of unusually heavy rainfalls in December. However the first half of the 2001 year is expected to see output stabilised at Mt Cuthbert, drilling of high priority exploration targets at Mt Cuthbert and field activities commence at the White Range Project.

The following points summarise the activities of the Company for the period

- Matrix listed on the ASX on 11 July 2000 raising \$7m with a total of 51.21 million ordinary shares issued.
- The primary intention, after listing was to build up cathode copper production from the then 4 tonnes per day to the maximum capacity of 15.5 tonnes per day by the end of November 2000.
- Mining in the Open Pit recommenced in early August with stacking of crushed ore onto a newly constructed leach pad commencing late in the month.
- Irrigation of the ore on the new pad with acid commenced simultaneously with stacking of the ore. Copper cathode production from the new pad commenced by late August 2000.
- During October the build up of copper cathode production 'flattened' and metallurgical investigation showed that the probable cause was an insufficiency of acid for the ore type. The dosing rate was increased and the production level again rose, peaking to a high of 12.5 tonnes per day by mid December 2000.
- In mid December 2000 an abnormal rainfall occurred and continued until the end of the month. During this period 455 mm of rain was recorded against the long term December average of approximately 80 mm.
- The heavy rain had a serious impact on copper production due to a prolonged interruption to the supply of acid. This problem combined with various other operational and logistical difficulties caused by the rain combined to create a flow on effect on the Company's cash resources.

**Matrix Metals Limited
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Directors' report (continued)

- The difficulties were mitigated by preparation work prior to the December rains when 2.5 months of ore was stockpiled and the river crossing and access road were upgraded. This situation allowed crushing and leaching to recommence in the shortest possible time.

In terms of mining, crushed ore and copper inventories the situation is:

- Stacked recoverable copper inventory in the new leach pad totals 1,347 tonnes and the total inventory of recoverable copper in all pads is 3,432 tonnes.
- Open Pit mining and crushing has been effectively on target with the newly appointed mining contractor performing well during the period. As intended, the ore stockpiles allowed for mining to be halted in January with minimal mining planned for February, these being the traditional wet months
- LME Grade A copper cathode quality has been maintained without exception.
- An off take agreement with Metal Manufacturers has been concluded for the 2001 calendar year with favourable terms achieved including a premium to the spot price.
- An engineering company has been selected and a scope of work finalised for the Mt Cuthbert Upgrade Feasibility Study
- Preliminary work has proceeded on a scope of work required to finalise the White Range Project Bankable Feasibility Study.

Field exploration is scheduled to commence at Mt Cuthbert in March/April 2001 with drilling on the newly acquired and highly prospective Mt Watson prospect being the priority activity. Mt Watson is considered to have the potential to double the current Mt Cuthbert Project.

- Negotiations with the Native Claimants have progressed well with terms for an Indigenous Land Use Agreement for the granting of Mining Leases tentatively agreed between the parties.

**Matrix Metals Limited
and its controlled entities**

Directors' report (continued)

Matrix Metals Limited was created to combine and unlock the value and potential of two copper projects located in the Mt Isa/Cloncurry region of Northern Queensland. The Mt Cuthbert Project is a heap leach SX/EW operating mine producing LME Grade A copper cathode. The second project, known as White Range, is the same type of project and is at the stage of advanced feasibility. In summary, the projects have the following attributes:

Mt Cuthbert

Production capacity of 5,500 tonne per annum.
Projected 5 year life on current resource base.
Excellent exploration potential.
Short term production upgrade potential

White Range

Resource of 12.6m tonne@ 1.2% copper.
Design production rate of 8,500 tonne per annum.
Excellent exploration potential.
Synergy with Mt Cuthbert.

The total copper inventory contained within the resource base of the two Projects totals approximately 180,000 tonnes. (~ 400 million pounds of copper).

Events subsequent to Balance Date

On 24 January 2001 the directors of Matrix advised that a Heads of Agreement had been signed with Summo Minerals Corporation under which Summo has committed to provide a bridging loan facility to Matrix to fast track its current operating plans and for Summo to become a major shareholder of the company.

The funds provided to Matrix by Summo will be utilised to:

- optimise the operation of the existing Mt Cuthbert copper operation, including further evaluation of the production upgrade feasibility study;
- commence exploration drilling at the recently acquired and highly regarded Mt Watson prospect;
- secure ownership of the White Range project through the payment of the A\$2million deferred consideration to Majestic; and
- commence the final phase of the White Range Project Bankable Feasibility study.

The key terms of the intended transactions are:

- Summo will purchase the shareholding currently held by Murchison and Majestic, totalling 48 per cent of the issued capital of Matrix, at 25 cents per share.

**Matrix Metals Limited
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Directors' report (continued)

- Summo will extend a loan, or at Matrix's option a Letter of Credit, for up to A\$3.25M for working capital and project development purposes. Five Hundred Thousand dollars (\$500,000) of that facility will be available to be drawn down prior to the shareholders meeting upon the execution of formal loan and security documentation agreement, with the balance to be drawn down on shareholder approval of the share acquisitions. The loan will mature on 30 June 2002, and is convertible at Matrix's option into ordinary shares at 16 cents if any unpaid balance of the loan remains outstanding on maturity. The interest is payable, at Matrix's option, in shares or cash. In consideration of this loan Summo will receive 3 million options for ordinary shares in Matrix exercisable at 25 cents per share at any time prior to 30 June 2003.
- Providing shareholder approval is granted, at least two Summo representatives will be invited to join the Board of Directors of Matrix. It is envisaged that one of the current non-executive directors of Matrix will resign from the Board.

A general meeting of Matrix's shareholders will be held on or about 9 April 2001 to vote on the transactions.

On 26 February 2001 the Company drew down \$500,000 of the A\$3,250,000 Bridge Loan facility to be provided by Summo. The remainder of the facility will be available for draw down following shareholder approval of the Summo transactions.

Subsequent to approval by shareholders at the proposed general meeting on or about 9 April 2001 and subject to receipt of the funds which will subsequently be due to Majestic Resources NL by Summo, Majestic Resources NL will transfer \$4,900,000 carried forward tax deductions to Matrix Metals Limited.

Signed in accordance with a resolution of the directors.

Dated at Perth this 6 day of March 2001.

.....
Gordon M Freeman
Chairman

.....
Andrew P Chapman
Chief Executive Officer

**Matrix Metals Limited
and its controlled entities**

**Profit & loss statement for the
half-year ended 31 December 2000**

| | Note | Consolidated | |
|---|------|------------------|----------|
| | | 2000 | 1999 |
| | | \$ | \$ |
| Sales revenue | | 4,489,829 | |
| Other revenue | | 60,281 | - |
| Total operating revenue | | 4,550,110 | - |
| | | | |
| Operating profit before income tax | | 463,623 | - |
| Income tax attributable to operating profit | 3(a) | (95,710) | - |
| | | | |
| Operating profit after income tax | | 367,913 | - |
| Accumulated losses at the beginning of the half-year | | (182,124) | - |
| | | | |
| Retained profits at the end of the half-year | | 185,789 | - |

The profit and loss statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 15.

**Matrix Metals Limited
and its controlled entities**

Balance sheet as at 31 December 2000

| | Note | Consolidated | | |
|---|------|-------------------|-------------------|-------------|
| | | 31 Dec 2000 | 30 June 2000 | 31 Dec 1999 |
| | | \$ | \$ | \$ |
| CURRENT ASSETS | | | | |
| Cash | | 684,962 | 4,783,115 | 5 |
| Receivables | | 1,623,693 | 576,780 | - |
| Inventories | | 4,077,673 | 2,024,099 | - |
| Other | | 345,819 | 4,964 | - |
| TOTAL CURRENT ASSETS | | 6,732,147 | 7,388,958 | 5 |
| NON CURRENT ASSETS | | | | |
| Inventories | | 1,862,717 | 828,140 | - |
| Property, plant and equipment | | 1,622,822 | 1,600,000 | - |
| Exploration, evaluation and development | | 8,334,385 | 7,639,465 | - |
| Other | | 47,840 | 29,840 | - |
| TOTAL NON CURRENT ASSETS | | 11,867,764 | 10,097,445 | - |
| TOTAL ASSETS | | 18,599,911 | 17,486,403 | 5 |
| CURRENT LIABILITIES | | | | |
| Accounts payable | | 3,271,003 | 2,597,996 | - |
| Borrowings | | 273,657 | 408,000 | - |
| Provisions | | 181,530 | 35,890 | - |
| Deferred vendor consideration | | 2,000,000 | - | - |
| TOTAL CURRENT LIABILITIES | | 5,726,190 | 3,041,886 | - |
| NON CURRENT LIABILITIES | | | | |
| Borrowings | | 439,805 | 326,121 | - |
| Provisions | | 225,000 | 200,000 | - |
| Deferred vendor consideration | | 1,000,000 | 3,000,000 | - |
| TOTAL NON CURRENT LIABILITIES | | 1,664,805 | 3,526,121 | - |
| TOTAL LIABILITIES | | 7,390,995 | 6,568,007 | - |
| NET ASSETS | | 11,208,916 | 10,918,396 | 5 |
| SHAREHOLDERS' EQUITY | | | | |
| Share capital | 5 | 11,023,127 | 11,100,520 | 5 |
| Retained profit / (loss) | | 185,789 | (182,124) | - |
| | | 11,208,916 | 10,918,396 | 5 |

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 15.

**Matrix Metals Limited
and its controlled entities**

**Statement of cash flows for the
half-year ended 31 December 2000**

| | Note | Consolidated | |
|---|------|--------------|------|
| | | 2000 | 1999 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 3,110,892 | |
| Cash payments in the course of operations | | (5,419,865) | - |
| Interest received | | 60,281 | |
| Interest paid | | (40,018) | |
| Net cash used in operating activities | | (2,288,710) | - |
| Cash flows from investing activities | | | |
| Payments for property, plant equipment | | (162,755) | - |
| Payments for mine development | | (527,438) | - |
| Payments for exploration activities | | (144,632) | - |
| Payments for security deposits | | (18,000) | - |
| Acquisition of exploration assets | | (184,117) | - |
| Net cash used in investing activities | | (1,036,942) | - |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 212,551 | - |
| Lease payments | | (233,210) | - |
| Share issue expenses | | (751,842) | - |
| Net cash provided by financing activities | | (772,501) | - |
| Net decrease in cash held | | (4,098,153) | - |
| Cash at the beginning of the financial year | | 4,783,115 | 5 |
| Cash at the end of the financial year | 7 | 684,962 | 5 |

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 15.

**Matrix Metals Limited
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**Notes to and forming part of the financial statements
for the half-year ended 31 December 2000**

1. (a) Basis of Preparation of the half-year financial report

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Law, Accounting Standard 1029 “Half-Year Accounts and Consolidated Accounts” and Urgent Issues Group consensus views. It is recommended that this half-year financial report be read in conjunction with the 30 June 2000 Annual Financial Report and any public announcements by Matrix Metals Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been re-classified to achieve consistency in disclosure with current financial year accounts and other disclosures.

(b) Going Concern

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The severe impact on the Mt Cuthbert operation of the extraordinary rain event in December which is described in the Directors report has significantly impacted on copper cathode production with a flow on impact on the cash flows such that the company is in urgent need of additional short term funding.

The directors have signed a heads of agreement with Summo Minerals Corporation under which Summo will provide a bridging loan facility and see Summo become the Company’s major shareholder. \$500,000 of that bridging facility has been advanced to the Company to date, with a further \$2.75 million to be advanced once shareholder approval of the sale of shares to the company and provision of funding has been received.

A notice of meeting will be despatched to shareholders during the week ending 9 March 2001 accompanied by a report prepared by an independent expert in relation to the proposed transactions with Summo. The Board of Directors have recommended shareholders vote in favour of the transaction, and their recommendation is supported by the opinion of the independent expert. Further, the directors have spoken to a number of shareholders who have indicated that they will support the proposals. On the basis, whilst the transaction will not complete until after the shareholders meeting, the directors are confident that the transaction will be approved and sufficient short term funding will be raised to enable the company to continue as a going concern.

**Matrix Metals Limited
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**Notes to and forming part of the financial statements
for the half-year ended 31 December 2000 (continued)**

| | Consolidated | |
|--|--------------|------|
| | 2000 | 1999 |
| | \$ | \$ |
| 2. Operating profit before income tax | | |
| Operating profit before tax has been arrived after including: | | |
| Interest – revenue | 60,281 | - |
| Interest expenses (including lease finance Charges) | (40,018) | - |
| Depreciation and amortisation | (139,933) | - |
| | | |
| 3. Taxation | | |
| (a) Income tax expense | | |
| Prima facie income tax expense calculated at 34% (1999: 36%) on the operating profit | | |
| | (157,632) | - |
| | | |
| Recoupment of carried forward tax losses | 61,922 | - |
| Income tax expense | 95,710 | - |
| | | |
| (b) Future income tax benefit | | |
| Future income tax benefit comprises the estimated future benefit at current income tax rates on the following items: | | |
| | | |
| Exploration expenditure – Mt Cuthbert | 151,982 | - |
| | 151,982 | - |

Future income tax benefit not taken to account:

The potential future income tax benefit of the Company and a controlled entity, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt.

**Matrix Metals Limited
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**Notes to and forming part of the financial statements
for the half-year ended 31 December 2000 (continued)**

The potential future income tax benefit will only be obtained if:

- (i) the relevant companies derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant companies and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant companies and/or the consolidated entity in realising the benefit.

| | Consolidated | |
|------------------------------|--------------|------|
| | 2000 | 1999 |
| | \$ | \$ |
| 4. Earnings per share | | |
| Basic earnings per share | 0.72 | - |
| Diluted earnings per share | 0.66 | - |

**Matrix Metals Limited
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**Notes to and forming part of the financial statements
for the half-year ended 31 December 2000 (continued)**

| | Note | Consolidated | | |
|---|------|--------------|--------------|-------------|
| | | 31 Dec 2000 | 30 June 2000 | 31 Dec 1999 |
| | | \$ | \$ | \$ |
| 5. Share capital | | | | |
| Issued and paid up capital | | | | |
| 51,210,000 (1999:5) ordinary shares, fully paid | | 11,023,127 | 11,100,520 | 5 |
| <i>Movements in ordinary share capital</i> | | | | |
| 1/1/1999 Opening balance | | 11,100,520 | 5 | 5 |
| 2/2/2000 share issue (a) | | | 3,210 | - |
| 29/6/2000 share issue (b) | | | 7,000,000 | - |
| 29/6/2000 share issue expenses (b) | | | (902,695) | - |
| 10/7/2000 purchase of Mt Cuthbert (c) | | | 5,000,000 | - |
| 31/12/2000 Share issue expenses (b) | | (77,393) | - | - |
| 30/12/2000 Closing balance | | 11,023,127 | 11,100,520 | 5 |
| | | 7 | | |

- (a) On 2 February 2000, 3,209,995 shares were issued at \$0.001 per share.
- (b) On 29 June 2000, 28,000,000 shares were issued at \$0.25 per share pursuant to the Prospectus dated 15 May 2000 and the Supplementary Prospectus dated 2 June 2000. Additional capital raising expenses of \$77,393 were recognised in the period. Total capital raising expenses of \$980,088 have been recognised as a reduction of the proceeds of the issue.
- (c) On 10 July 2000, 20,000,000 shares were issued at \$0.25 per share pursuant to the purchase agreement with Murchison United NL. As the purchase of the Mt Cuthbert Copper Project was considered substantially complete at 30 June 2000, the transaction has been brought to account, notwithstanding that legal completion occurred on 10 July 2000.

6. Statement of operations of segments

The company produces copper cathode in Australia

| Consolidated | |
|--------------|------|
| 2000 | 1999 |
| \$ | \$ |

7. Notes to the statement of cash flows

(i) Reconciliation of cash

| | | |
|--------------|---------|---|
| Cash at bank | 684,962 | 5 |
|--------------|---------|---|

**Matrix Metals Limited
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Directors' declaration

In the opinion of the directors of Matrix Metals Limited:

- (a) the financial statements and notes, set out on pages 9 to 15, are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2000 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 Half-year Accounts and Consolidated Accounts and the Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 6 day of March 2001.

Signed in accordance with a resolution of the directors:

.....
Gordon M Freeman
Chairman

.....
Andrew P Chapman
Chief Executive Officer

**Matrix Metals Limited
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**Independent auditors' report to the members of
Matrix Metals limited**

Scope

We have reviewed the financial report of Matrix Metals Limited for the half-year ended 31 December 2000, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 9 to 16. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed the review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of Company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Matrix Metals Limited is not in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2000 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(b), there is significant uncertainty whether the entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

A M KITCHEN
Partner

Perth
6 March 2001