



## **SwepDri Limited**

ABN: 64 099 851 653

Audited Half-Year Report  
For the Period Ended 31 December 2004



**BKR Walker Wayland**

*NSW Partnership*

Chartered Accountants

Sydney, New South Wales

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**HALF-YEAR REPORT DECEMBER 2004**

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**SWEPDRI LIMITED**  
**ABN 64 099 851 653**  
**DIRECTORS' REPORT**

The Directors present their report on Swebdri Limited for the half-year ended 31 December 2004.

**Directors**

The names of directors who held office during or since the end of half-year:

Hans Eberhard Graf (Chairman and Managing Director)

Anne Muriel Jensen (Executive Director and Company Secretary) – Resigned 27 January 2005

Frederick Richard Ferdinands (Non-Executive Director and Company Secretary) – Appointed 27 January 2005

Tanvanth Singh Sandhu (Non-Executive Director)

**Review of Operations**

Since July 2004 the Mitre Group has renewed and extended their Trading Agreement to cover international Distribution and included a "Charge Back" facility.

Trading has commenced in Western Australia with the signing up of Campbell's Wholesale Distributors.

A trading agreement has also been signed with the Hardware and Building Traders Group.

Negotiations with additional groups are in progress but have yet to reach contractual completion.

Development of additional packs e.g. Maxplug, Maxrest, Maxseal Flex has commenced with the roll out to make place as of early 2004.

To facilitate the roll out to all of the Company's additional outlets, additional funds will be required to fund the purchase of material for packing. This funding will be a combination of equity and a short term rolling debt facility.

Orders have been received from the Maldives, Vanuatu, Fiji and the People's Republic of China.

The Company has incurred extraordinary expenses since July, 2004 in professional fees for legal expenses, valuation expenses, management consultancy expenses, accounting services and audit expenses in excess of \$60,000 to date.

Anne Jensen indicated her retirement from the company in early 2005 and Donna Child of DJ Consultancy.

Ltd has been invited to provide Super Secretarial and Consultancy Services from January 2005. The Board wishes to record their appreciation of the commitment and dedication of Ms Jensen to the Company's operations.

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

H. Graf

Chairman

Executive Director

F. Ferdinands

Non-Executive Director

Dated this 3<sup>rd</sup> day of May 2005

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**STATEMENTS OF FINANCIAL PERFORMANCE**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	<b>31.12.04</b>	<b>30.6.04</b>
	<b>\$</b>	<b>\$</b>
Revenues from ordinary activities	717,547	1,055,719
Cost of Sales	(382,274)	(492,907)
Selling Expenses	(56,287)	(186,608)
Depreciation and amortisation	(18,591)	(13,367)
Administration	(276,115)	(367,097)
Occupancy Costs	(65,557)	(147,532)
Borrowing Costs	(178,948)	(40,720)
Staff Costs	(240,311)	(376,489)
	<hr/>	<hr/>
<b>Loss from ordinary activities before income tax expense</b>	<b>(500,536)</b>	<b>(569,001)</b>
Income tax (expense) credit	<hr/> -	<hr/> -
	<hr/>	<hr/>
<b>Net profit (loss) attributable to members of SwepDri Limited</b>	<b><u>(500,536)</u></b>	<b><u>(569,001)</u></b>
Basic earnings per share	(0.01)	(1.54)
Diluted earnings per share	(0.01)	(1.54)

*The accompanying notes form part of these financial statements.*

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2004**

	NOTE	31.12.04 \$	30.06.04 \$
<b>Current Assets</b>			
Cash assets		55,137	145,958
Receivables		237,661	209,839
Inventories		259,658	281,227
Other	4	143,824	54,414
<b>Total Current Assets</b>		<u>696,280</u>	<u>691,438</u>
<b>Non-Current Assets</b>			
Property, plant and equipment		24,949	29,821
Intangible assets		263,763	277,480
<b>Total Non-Current Assets</b>		<u>288,712</u>	<u>307,301</u>
<b>Total Assets</b>		<u>984,992</u>	<u>998,739</u>
<b>Current Liabilities</b>			
Payables		413,687	245,781
Interest bearing liabilities	5	755,554	465,386
Provisions		12,097	18,079
Other		-	21,000
<b>Total Current Liabilities</b>		<u>1,181,338</u>	<u>750,246</u>
<b>Non-Current Liabilities</b>			
Payables		202,455	172,758
<b>Total Non-Current Assets</b>		<u>202,455</u>	<u>172,758</u>
<b>Total Liabilities</b>		<u>1,383,793</u>	<u>923,004</u>
<b>Net Assets</b>		<u><b>(398,801)</b></u>	<u><b>75,735</b></u>
<b>Equity</b>			
Contributed equity	6	878,783	852,783
Accumulated losses		(1,277,584)	(777,048)
<b>Total Equity</b>		<u><b>(398,801)</b></u>	<u><b>75,735</b></u>

*The accompanying notes form part of these financial statements.*

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**STATEMENTS OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	<b>31.12.04</b>	<b>30.06.04</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	735,181	1,060,151
Payments to suppliers and employees	(967,850)	(1,919,604)
Interest received	931	20,094
Interest paid	<u>(178,948)</u>	<u>(34,373)</u>
Net cash inflows (outflows) from operating activities	<u>(410,686)</u>	<u>(873,732)</u>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment	-	(33,036)
Payments for intangibles	<u>-</u>	<u>(276,580)</u>
Net cash inflows (outflows) from investing activities	<u>-</u>	<u>(309,616)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from the issue of shares	-	557,712
Loans provided	-	(11,655)
Loan repayments received	-	166,615
Borrowings repaid	-	(127,277)
Proceeds from Borrowings	<u>319,865</u>	<u>638,144</u>
Net cash inflows from financing activities	<u>319,865</u>	<u>1,223,539</u>
<b>Net Increase (Decrease) in Cash Held</b>	<u>(90,821)</u>	<u>40,191</u>
Cash at the Beginning of the Financial Period	<u>145,958</u>	<u>105,767</u>
<b>Cash at the End of the Financial Period</b>	<u><u>55,137</u></u>	<u><u>145,958</u></u>

*The accompanying notes form part of this financial report.*

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

**1. BASIS OF PREPARATION**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Swepdri Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

**2. GOING CONCERN**

The financial statements have been prepared on a going concern basis.

At balance date the Company had an excess of current liabilities over current assets of \$485,058 (30 June 2004: \$58,808) and a deficiency of net assets of \$398,801.

The Company is at a stage of its development where the cash flows generated by its sales do not yet cover the operating costs that are being incurred.

The ability of the Company to continue as a going concern depends upon the generation of additional cash inflows through incurring additional debt or the receipt of equity funds.

The Company's existing cash flow projections show that anticipated cash inflows from current operations, collection of receivables and ongoing commercial negotiations with customers and financiers will enable the Company to fund its ongoing activities for the twelve months from the date of signing of these financial statements. As the Company is in its early start-up stage, there is inherent uncertainty associated with the key assumptions in those cash flow projections.

Any inability to obtain these additional cash inflows may have a material adverse effect on the Company's ability to continue as a going concern.



**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	<b>31.12.04</b>	<b>30.06.04</b>
	<b>\$</b>	<b>\$</b>

**3. REMUNERATION OF DIRECTORS AND EXECUTIVES**

**(a) Directors Remuneration**

Income paid or payable to all directors by the company and any related parties.

<u><b>120,740</b></u>	<u><b>171,140</b></u>
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The number of Directors of the Company included in these figures is shown below in their relevant income bands:

<i>Income of:</i>	<b>31.12.04 Number</b>	<b>30.06.04 Number</b>
\$Nil to \$9,999	-	1
\$20,000 to \$29,999	1	-
\$30,000 to \$39,999	1	-
\$60,000 to \$69,999	1	1
\$100,000 to \$109,999	<u>-</u>	<u>1</u>

The names of persons who were Directors of SwepDri Limited at any time during the financial period are:

H Graf  
T Sandhu  
A Jensen

**(b) Retirement Superannuation Payments**

No retirement benefits were paid to Directors during the period.

**4. OTHER ASSETS**

Prepayments	67,938	54,414
Deposits held by Drizoro	75,886	-
	<u><b>143,824</b></u>	<u><b>54,414</b></u>

**5. INTEREST BEARING LIABILITY**

The factoring agreement with ORIX Australia Corporation Limited is secured by a registered fixed and floating charge over the company's assets.

The loan facility with Simon DeRosa is secured by a second fixed and floating charge over the Company's assets other than all existing and future rights of the Company to receive payment of any amount from its customers for goods and/or services provided.

# SWEPDRI LIMITED

ABN 64 099 851 653

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

6. CONTRIBUTED EQUITY		31.12.04 \$	30.06.04 \$
37,182,000 (30.06.04: 37,052,000)			
ordinary shares	6(a)	878,782	852,782
1 (30.06.04: 1) fully paid A class share	6(b)	1	1
		<u>878,783</u>	<u>852,783</u>

### (a) Ordinary Shares

At the beginning of the reporting period  
Share issues during the period:  
Transaction costs relating to share issues

852,782
26,000
-
<u>878,782</u>

At the beginning of the reporting period  
Shares issues during the period:  
- Issue of shares at an issue price of 20  
cents each

<b>No.</b>
37,052,000
130,000

**At the end of the reporting period**

**37,182,000**

### (a) Ordinary Shares cont.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF – YEAR ENDED 31 DECEMBER 2004**

<b>6. CONTRIBUTED EQUITY cont.</b>	<b>31.12.04</b>
	<b>\$</b>
<b>(b) A Class Share</b>	
At the beginning of the reporting period	1
Share issues during the period	-
Transaction costs relating to share issues	-
	<u>1</u>
	<b>No.</b>
At the beginning of the reporting period	1
Shares issues during the period:	-
	<u>1</u>

A Class shares do not entitle the holder to participate in dividends. A Class shares entitle the holder to proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

As the A Class share was transferred from its original holder, as required by the constitution, the special voting rights attached to the share have been rescinded and are now the same as those for an ordinary share.

**7. CONTINGENT LIABILITIES**

During and since the half-year ended 31 December 2004, the Company breached a number of NSX Listing Rules. The financial impact of these breaches on the Company cannot be quantified at this time, if any.

During and since the half-year ended 31 December 2004 the Company has breached provisions of the Corporations Act 2001. Where possible the Company has acted and remedied the breaches.

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

<b>8. RELATED PARTY TRANSACTIONS</b>	<b>31.12.04</b>	<b>30.06.04</b>
	<b>\$</b>	<b>\$</b>
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
<b>1) Director Related Entities</b>		
Stock purchased from Swepdri International Pty Limited, a director related entity.	<u>-</u>	<u>254,921</u>
Stock purchased from Hanma Investments Pty Limited, a Director related entity.	<u>-</u>	<u>190,000</u>
Rental paid for premises located at Unit 1, 10-14 Lilian Fowler Place, Marrickville NSW, to Hanma Investments Pty Limited, a director related entity.	<u>58,700</u>	<u>117,398</u>
Rental paid for machinery and office equipment to Hanma Investments Pty Limited, a director related entity.	<u>7,440</u>	<u>14,880</u>
Rental paid for vehicles, plant & equipment to Hanma Investments Pty Limited, a director related entity.	<u>37,215</u>	<u>70,264</u>
Long term unsecured loan advanced from Swepdri International Pty Limited, a director related entity, outstanding at period end, with interest charged at the rate of 12% p.a.	<u>106,159</u>	<u>108,716</u>
Interest paid on loan advanced from Swepdri International Pty Limited, a director related entity.	<u>6,537</u>	<u>-</u>
Interest received on loan advanced to Swepdri International Pty Limited, a director related entity.	<u>-</u>	<u>17,452</u>
Long term unsecured loan advanced from Hanma Investments Pty Limited, a director related entity, outstanding at period end, with interest charged at the rate of 12% p.a.	<u>96,296</u>	<u>64,042</u>
Interest paid on loan advanced from Hanma Investments Pty Limited, a director related entity.	<u>5,130</u>	<u>-</u>
Interest received on loan advanced to Hanma Investments Pty Limited, a director related entity.	<u>-</u>	<u>1,812</u>
Distribution licence purchased from SwepDri International Pty Limited, a Director related entity.	<u>-</u>	<u>276,671</u>

These notes form part of the financial statements

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

8. RELATED PARTY TRANSACTIONS cont.	31.12.04 \$	30.06.04 \$
<b>2) Directors</b>		
Interest paid on loan advanced from Mr Tanvanth Sandhu, a Director.	-	931
Short term unsecured loan advanced to Mr Tanvanth Sandhu, a Director outstanding at year end, with interest charged at the rate of 12% p.a.	1,501	11,655
Interest received on loan advanced to Mr Tanvanth Sandhu, a Director.	298	348
<b>3) Share Transactions of Directors</b>		
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the company:		
- ordinary shares	341,050	341,050
- A class share	1	1
	<b>341,051</b>	<b>341,051</b>
Directors and their related entities acquired nil (30 June 2004: 6,530,000) ordinary shares in the company under the issues described in 5(a) to the financial report and on the following issue prices:		
	No.	No.
- Issue of shares at an issue price of 0.1 cents each	-	1,000,000
Issue of shares at an issue price of 20 cents each subject to ratification of shareholders at an Annual General Meeting	-	1,570,000
- Issue of shares at an issue price of nil cents each	-	3,960,000
	-	<b>6,530,000</b>

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

**9. SEGMENT INFORMATION**

**Business Segments**

The Company operates in the supply and distribution of building products exclusively in Australia and New Zealand.

**Primary Reporting – Business Segments**

<b>2004</b>	<b>31.12.04 \$</b>	<b>30.06.04 \$</b>
Sales to external customers	714,452	1,035,625
Total sales revenue	714,452	1,035,625
Other revenue	3,095	20,094
Total segment revenue	717,547	1,055,719
Segment result	(500,536)	(569,001)
Unallocated revenue less unallocated expenses	-	-
Loss from ordinary activities before income tax expense	(500,536)	(569,001)
Income tax expense	-	-
Net loss	(500,536)	(569,001)
Segment assets	984,992	998,739
Unallocated assets	-	-
Total assets	984,992	998,739
Segment liabilities	1,420,871	923,004
Unallocated liabilities	-	-
Total liabilities	1,420,871	923,004
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	-	33,036
Depreciation and amortisation expense	18,591	13,367
Other non-cash expenses	26,438	15,762

These notes form part of the financial statements

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

**9. SEGMENT INFORMATION cont.**

**Secondary Reporting – Geographical Segments**

The Company operates in one geographical segment, being Australia and New Zealand.

Segment information is prepared in conformity with the accounting policies of the Company as disclosed in Note 1 and the revised segment-reporting standard, AASB 1005 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and intellectual property, net of related provisions. Segment liabilities consist primarily of trade and other creditors, and employee entitlements. Segment assets and liabilities do not include income taxes.

**10. SUBSEQUENT EVENTS**

1. ASIC advised the Company that they had received an independent report of John Baird, Investigating Accountant for ASIC in January 2005.
2. Anne Jensen retired as a Director and Company Secretary on 27 January 2005.
3. Frederick Ferdinand consented to act as a Director and Company Secretary as of 27 January 2005.
4. The Company has entered into an Agency Agreement for SWEPCO Products with Blackcat on 7 March 2005.
5. On 22 March 2005, ASIC made enquiry of the Company to which a response was issued on 7 April 2005.
6. The Company appointed an agent for the State of Queensland on 24 February 2005.
7. On 27 April 2005, ASIC made further enquiry of the Company to which a response was issued on 28 April 2005.
8. During April 2005 the Company secured product approval from regulatory authorities of the Peoples Republic of China (PRC) for sale of the Company's licenced Drizoro products within the PRC.
9. The Company has appointed an agent in the province of Canton in the PRC during April 2005.
10. On 29 April 2005 the Company filed a quarterly financial report with the NSX for the period 1 January 2005 to 31 March 2005 in accordance with NSX Listing Rules.

**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

**11. FINANCIAL INSTRUMENT DISCLOSURES**

*(a) Interest Rate Risk*

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

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non- interest Bearing	Total
	%	\$	Within 1 year \$	Over 1 year \$	\$	\$
<b>31 DECEMBER 2004</b>						
<b>FINANCIAL ASSETS</b>						
Cash assets	2.36	4,893	50,000	-	244	55,137
Related party loan	12.00	-	1,501	-	-	1,501
Receivables		-	-	-	236,160	236,160
		<u>4,893</u>	<u>51,501</u>	<u>-</u>	<u>236,404</u>	<u>292,798</u>
<b>FINANCIAL LIABILITIES</b>						
Interest bearing liabilities	60.00	155,554	600,000	-	-	755,554
Payables		-	-	-	509,983	509,983
Related party loans	12.00	-	202,455	-	-	202,455
Provisions		-	-	-	12,097	12,097
		<u>155,554</u>	<u>802,455</u>	<u>-</u>	<u>522,080</u>	<u>1,480,089</u>
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>		<u><b>(150,661)</b></u>	<u><b>(750,954)</b></u>	<u><b>-</b></u>	<u><b>(285,676)</b></u>	<u><b>(1,187,291)</b></u>
	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non- interest Bearing	Total
	%	\$	Within 1 year \$	Over 1 year \$	\$	\$
<b>30 JUNE 2004</b>						
<b>FINANCIAL ASSETS</b>						
Cash assets	2.36	95,958	50,000	-	-	145,958
Related party loan	12.00	-	11,655	-	-	11,655
Receivables		-	-	-	199,322	199,322
		<u>95,958</u>	<u>61,655</u>	<u>-</u>	<u>199,322</u>	<u>356,935</u>
<b>FINANCIAL LIABILITIES</b>						
Interest bearing liabilities	60.00	-	465,386	-	-	465,386
Payables		-	-	-	245,781	245,781
Related party loans	12.00	-	-	172,758	-	172,758
Other		-	-	-	21,000	21,000
Provisions		-	-	-	18,079	18,079
		<u>-</u>	<u>465,386</u>	<u>172,758</u>	<u>284,860</u>	<u>923,004</u>
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>		<u><b>95,958</b></u>	<u><b>(403,731)</b></u>	<u><b>(172,758)</b></u>	<u><b>(85,538)</b></u>	<u><b>(566,069)</b></u>

These notes form part of the financial statements



**SWEPDRI LIMITED**  
**ABN 64 099 851 653**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

**11. FINANCIAL INSTRUMENT DISCLOSURES cont.**

*(b) Credit Risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial assets, is the carrying amount as disclosed in the statements of financial position and notes to the financial statements.

*(c) Net Fair Values*

The net fair values of the financial assets and financial liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets.

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

These notes form part of the financial statements

03-05-2005

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SWEPDR LIMITED  
ABN 64 099 851 653**DIRECTORS' DECLARATION**

1. The Directors declare that the financial statements and notes set out on pages 4 to 16:  
 (a) comply with Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulations; and  
 (b) give a true and fair view of the Company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. Those grounds are discussed in Note 2 of the financial statements. As stated in Note 2, there is uncertainty associated with the key assumptions in the cash flow projections considered by the directors in the directors' positive solvency statement.

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

H. Graf

Chairman

F. Ferdinandis

Non-Executive Director

Dated this 3rd day of May 2005

18

**SWEPDRI LIMITED  
ABN 64 099 851 653****INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF SWEPDRI LIMITED****Scope**

We have reviewed the financial report of Swebdri Limited for the half-year ended 31 December 2004 as set out on pages 4 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 an independent review of the financial report in order to state whether, on the basis of the 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: Interim Financial Reporting and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company'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/Newcastle Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

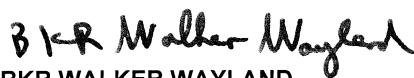
**Qualification**

Note 2 discusses a number of matters that may affect the ability of the entity to continue as a going concern. In that Note, the Directors state their opinion that the going concern basis used in the preparation of the financial report is appropriate. In our opinion however, it is highly improbable that Swebdri Limited will be able to continue as a going concern on the information available to us and therefore we believe the going concern basis should not be used.

Had the going concern basis not been used, adjustments would need to be made relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities, to reflect the fact that Swebdri Limited may be required to realise its assets and extinguish its liabilities other than in the normal course of business, and at amounts different from those stated in the financial report.

**Statement**

Because of the pervasive effect on the financial report of the matter discussed in the preceding paragraph, the accompanying financial report does not present fairly the financial position of Swebdri Limited as at 31 December 2004 and the results of its operations and its cash flows for the half-year ended on that date in accordance with AASB 1029 Interim Financial Report, other mandatory professional reporting requirements and the Corporations Act 2001.

  
**BKR WALKER WAYLAND**  
(NSW PARTNERSHIP)  
Chartered Accountants  
**A S ROGER**  
Partner

Dated this the 3rd day of May 2005