



CHAIRMANS ADDRESS

Since incorporation the principal activity of the Company has been to extend the commercialization and distribution of Drizoro Products in the Australian – pacific Region under an exclusive Distribution Agreement with SwepDri International Pty Ltd ('SDI').

SwepDri International Pty Ltd was set up for the purpose of importing and selling product direct to applicators as well as to source agents and retail outlets on a national basis.

Initially the product was sold through Hardware & General with 3 outlets in Sydney. Further outlets were added in time with Hardware House eventually taking on the selling of Bulk Packs.

With growing sales SDI was approached by the Bunnings group with the idea of producing Do It Yourself ('DIY') packs for retail.

Sales to Hardware House group increased and further stores were added, however the development of the retail DIY pack was put on hold as Bunnings was in a takeover bid for Hardware House.

With the growth of bulk sales, SDI required larger premises and a rental agreement was entered into with Hanma Investments Pty Ltd ('Hanma') in 2000.

With the realization that the retail pack would be a natural progression into the DIY marketplace, other retail outlets were approached with great results.

With the ever increasing acceptance of Drizoro Products and positive reaction to the DIY packs, SDI realized that to properly resource this activity and maintain anticipated growth in the marketplace an injection of funds was needed.

With a listing on the NSX a possibility, SwepDri Limited ('SDL') was incorporated in March 2002 and approval for a license from DRIZORO S.A. SDL was sought and granted for SDL (exp. 2014) to distribute the product range.

Expert corporate advice was sought from corporate advisers to assist in setting up the facilities required under the Corporations Law.

SwepDri Limited

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SwepDri

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Trading commenced 1 July 2002 and with the transfer of operations from SDI to SDL, who took over all of SDI's facilities on a turnkey basis.

Existing supply contracts, acquisition of stock, office and warehouse and rental of vehicles and services as well as additional rentals of vehicles/forklifts from Hanma commenced from this date.

Seed capital was raised and used in part to fund the preparation of a prospectus. The prospectus was issued and the minimum subscription capital was raised. The shares were mostly taken up by our trade account customers, service providers, small private investors and local entities associated with overseas agents. SDL successfully listed on the Newcastle Stock Exchange on 23 October 2003.

Over a very short period of time SDL has signed supply contracts with several groups of companies representing a total of almost 3000 store outlets. A roll out program was set down for commencement in August 04 with packaging commencing in April 04.

To meet corporate statutes a Company audit commenced however it was clear that the advice received to this date was insufficient to meet the Company's requirements and satisfy the Company's Auditors.

Completion of the Company's June 2003 Audit was delayed primarily due to these structural issues that needed to be resolved i.e. completion of documentation associated with the transfer of assets to the Company, signing new lease documents as well as re-arranging accounting procedures.

These issues have all now been addressed.

New advisers were sought to bring the Company structure into line with Auditors requirements.

Bob Goodwin from Accfin Services was consulted to update the Company's accounting system, Ian Congdon, solicitor, to assist the Company with legal and statutory requirements and Kevin Lynn to assist as a Company adviser.

To the future.

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To facilitate the purchase of product required to supply the additional outlets SDL required and will continue to require a combination of equity and short term rolling debt facility funding.

We are working on further capital raising to keep the stock rolling and ensure that the Company has sufficient working capital to meet its obligations.

An amount of \$150,000 was borrowed in Feb/March 04 to facilitate the purchase of stock which arrived in April/May.

Additional stock has arrived in early August 04 as part of a 200-ton order and we are currently on track for a National roll out by September 04.

The Company's prospects are looking great with more and more stores being signed up and sales increasing as the stock arrive.

We look forward to the year ahead and remain enthusiastic that the Company will realise the potential that the market for the full range of SwepDri products promises.

I would also like to take this opportunity to thank the Staff for their excellent support during this very difficult start up time.

In particular Anne for the great effort in coping with the millions of ever changing instructions coming in from all directions.

Also a thank you to our advisors as without their timely help it would not have been possible to reach our current goal.

Thank you for your continued support.

11 August 2004

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