

1 July 2004

Attn: Mr Scott Evans

Stock Exchange of Newcastle Limited
GPO Box 283
SYDNEY NSW 2001

Dear Mr Evans,

With reference to our previous correspondence please find enclosed the 31 December 2003 Financial Report for SweepDri Limited.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Anne Jensen', written over a horizontal line.

Anne Jensen
Director

Encl.

SweepDri Limited

ABN: 64 099 851 653

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Marrickville NSW 2204
Australia

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Marrickville Metro L.P.O.
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NATIONAL FAXLINE: 1300 369 932

SweepDri Limited

ABN: 64 098 851 653

SweepDri

LIMITED

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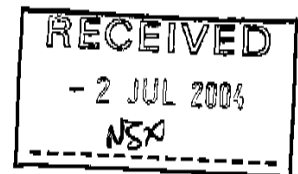
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HANS EBERHARD GRAF	13/36 RUSSELL STREET	STRATHFIELD NSW 2135	24000000
SUCCESSION PLANNERS PTY LTD	<LET DISCRETIONARY A/C>	PO BOX 665, APPLECROSS WA 6153	2000000
ANNE MURIEL JENSEN	9/19 CRIPINGTON STREET	ASHFIELD NSW 2131	1780000
RUDY DE JONG	22 DIXON ROAD	CARDINIA VIC 3978	400000
CCP MEDIA PTY LIMITED	9 NURSERY STREET	HORNSBY NSW 2077	375000
YI FANG CHEN	28 IRRARA STREET	CROYDON NSW 2132	300000
FARM FINANCE PTY LTD	PO BOX 665	APPLECROSS WA 6953	250000
IRENE BUSCHTEDT	65 THE BOULEVARDE	DULWICH HILL NSW 2203	200000
JENNIFER CATHERINE MEEK	281 KIMBRIKI ROAD	KIMBRIKI NSW 2429	200000
JOSEF WALLISCH	PO BOX 85	CANTERBURY NSW 2193	200000
WATERSTOP COMPANY LIMITED	99/44 SI LADRAW, 31 LADRAW RD	CHATCHAK BANGKOK 10900 THAILAND	200000
LAURIE JANE McDONALD	78 RALEIGH ROAD	NORTHCOTE - NEW ZEALAND	180000
JOHN WILLIAM THOMPSON	1A LOWER ALMORA STREET	MOSMAN NSW 2088	150000
RUSSELL PAUL ANDERSON	11 QUEEN STREET	GRANVILLE NSW 2142	100000
BERRIDALE BUILDING & JOINERY PTY LTD	<SUPERANNUATION FUND A/C>	WILLIAM STREET, BERRIDALE NSW	100000
JURAJ BUGAN	3/12-18 LANE COVE ROAD	RYDE NSW 2112	100000
JOHN WINSTON CAMERON	218/120 PYRMONT STREET	PYRMONT NSW 2009	100000
OLIVER FIALA	16 ALPHA STREET	CHESTER HILL NSW 2162	100000
MARJORIE GLADYS HINES	4 GISELLE AVENUE	WYOMING NSW 2250	100000
HOWARD EXPORTS PTY LTD	<SUPERANNUATION FUND A/C>	3/10-14 LILIAN FOWLER PLACE	100000
		MARRICKVILLE NSW 2204	30935000

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- 2 JUL 2004

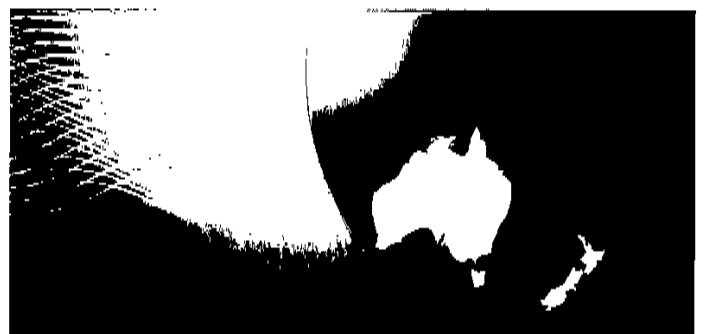
NSX



SwepDri Limited

ABN: 64 099 851 653

Financial Report for the
Half Year Ended 31 December 2003



BKR Walker Wayland

NSW Partnership

Chartered Accountants

Sydney, New South Wales

SWEPDRI LIMITED
ABN 64 099 851 653

HALF-YEAR REPORT DECEMBER 2003

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SWEPDRI LIMITED
ABN 64 099 851 653

DIRECTORS' REPORT

The Directors present their report on Swepdri Limited for the half-year ended 31 December 2003.

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)
Tanvanth Singh Sandhu (Non-Executive Director)

Review of Operations

SwepDri Limited took over the existing supply contracts of Swepdri International Pty Limited, a director related entity (SWI) and the distribution for SWEPCO products in August 2003, as previously announced to the Stock Exchange of Newcastle (NSX).

The Company listed on the Stock Exchange of Newcastle on 23rd October 2003.

Since listing the development of the Company's DIY product pack was shown to potential customers with Bunnings signing a contract to supply. The Company in a short time frame has signed contracts to supply the "Handi-pack" range to the following:

- Mitre Ten Group
- Hudsons
- Magnet Mart
- Taubmans/Bristol/Barlowworld
- Danks Supply Group
- Trade Link Plumbing (Crane Distribution)
- Flower Power Stores

These represent a total of approximately 3,000 stores. Negotiations with additional groups are in progress but have yet to reach contractual completion.

The assembling of Handi-Packs has commenced with the first Handi-Packs sold and distributed from February 2004.

An amount of \$150,000 was borrowed over the February/March 2004 period, which was used to order additional stock. The terms of that borrowing were varied and the loan extended to June 2005 by agreement made on 24th June 2004.

The Company has formalised the documentation of all director related corporations in relation to leasing and borrowing.

SWEPDRI LIMITED
ABN 64 099 851 653

DIRECTORS' REPORT
Continued

On 24th June 2004 the Company purchased from the director related entity SWI, the licence from Drizoro S.A. of Spain (Drizoro) effective from 1 June 2004. The purchase included the Company taking the benefit of sale contracts of Drizoro products made by SWI with the consent of Drizoro in Cambodia, the Maldives, Sri Lanka, Vietnam, and the Peoples Republic of China. The Company had the value of the assigned licence and contracts professionally appraised by Bampos Partners and as a result of that assessment in May 2004, is satisfied that the sale price is reasonable and the acquisition to the Company's benefit.

The first of the stock orders had arrived in April 2004. Further stock has been ordered in June 2004.

On 24th June 2004, the Company agreed to borrow further capital to continue ordering from Drizoro, and sale of Drizoro products. The Company has granted a Fixed and Floating Charge of its assets to the lender to secure that loan, and called upon Hanma Investments Pty Limited, a director related entity, to offer a guarantee in support of the borrowing secured by a registered second mortgage of realty owned by that company and being the premises from which the Company conducts its business. In addition the Company entered into a Consultancy Agreement with the lender to raise further borrowings for the Company for the purposes of working capital.

The Company has incurred extraordinary expenses since February, 2004 in professional fees for legal expenses, valuation expenses, management consultancy expenses, accounting services and audit expenses in excess of \$50,000 to date.

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

H. Graf
Chairman



A. Jensen
Executive Director



T. Sandhu
Non-Executive Director



Dated this 1st day of July 2004

SWEPDRI LIMITED
ABN 64 099 851 653

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

	31.12.03	30.6.03
	\$	\$
Revenues from ordinary activities	581,571	788,630
Cost of Sales	(252,650)	(321,423)
Selling Expenses	(76,092)	(177,043)
Depreciation and amortisation	(7,277)	(2,832)
Administration	(180,212)	(141,548)
Occupancy Costs	(62,854)	(125,818)
Staff Costs	<u>(139,927)</u>	<u>(228,013)</u>
Profit (Loss) from ordinary activities before income tax expense	(137,441)	(208,047)
Income tax (expense) credit	<u>-</u>	<u>-</u>
Net profit (loss) attributable to members of SwepDri Limited	<u>(137,441)</u>	<u>(208,047)</u>
Basic earnings per share	0.01	0.01
Diluted earnings per share	0.01	0.01

The accompanying notes form part of these financial statements.

SWEPDRI LIMITED
ABN 64 099 851 653

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	NOTE	31.12.03 \$	30.06.03 \$
Current Assets			
Cash assets		4,449	105,767
Receivables		432,739	279,731
Inventories		345,409	63,171
Other		51,442	9,110
Total Current Assets		<u>834,039</u>	<u>457,779</u>
Non-Current Assets			
Property, plant and equipment		35,761	9,852
Intangible assets		959	1,200
Total Non-Current Assets		<u>36,720</u>	<u>11,052</u>
Total Assets		<u>870,759</u>	<u>468,831</u>
Current Liabilities			
Payables		208,380	284,690
Interest bearing liabilities	4	143,886	60,000
Provisions		12,774	16,117
Other		-	72,000
Total Current Liabilities		<u>365,040</u>	<u>432,807</u>
Total Liabilities		<u>365,040</u>	<u>432,807</u>
Net Assets		<u>505,719</u>	<u>36,024</u>
Equity			
Contributed equity	5	851,207	244,071
Accumulated losses		(345,488)	(208,047)
Total Equity		<u>505,719</u>	<u>36,024</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 2003

	31.12.03	30.06.03
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	527,295	729,321
Payments to suppliers and employees	(1,158,387)	(902,363)
Interest received	12,864	16,260
Interest paid	(902)	-
	<u>(619,130)</u>	<u>(156,782)</u>
Net cash inflows (outflows) from operating activities		
	<u>(619,130)</u>	<u>(156,782)</u>
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(33,036)	(12,684)
Payments for intangibles	-	(1,500)
	<u>(33,036)</u>	<u>(14,184)</u>
Net cash inflows (outflows) from investing activities		
	<u>(33,036)</u>	<u>(14,184)</u>
Cash Flows From Financing Activities		
Proceeds from the issue of shares	535,136	316,071
Loans provided	(32,378)	(166,615)
Loan repayments received	27,819	-
Borrowings repaid	(63,615)	-
Proceeds from Borrowings	83,886	127,277
	<u>550,848</u>	<u>276,733</u>
Net cash inflows from financing activities		
	<u>550,848</u>	<u>276,733</u>
Net Increase (Decrease) in Cash Held	(101,318)	105,767
Cash at the Beginning of the Financial Period	105,767	-
	<u>105,767</u>	<u>-</u>
Cash at the End of the Financial Period	4,449	105,767
	<u>4,449</u>	<u>105,767</u>

The accompanying notes form part of this financial report.

SWEPDRI LIMITED
ABN 64 099 851 653

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

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 2003 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 2003 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 assets over current liabilities of \$468,999.

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 the receipt of additional debt or equity funds.

The company's existing 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 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 and the group's ability to continue as a going concern.

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 2003

	31.12.03	30.06.03
	\$	\$
3. REMUNERATION OF DIRECTORS AND EXECUTIVES		

(a) Directors Remuneration

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

<u>50,073</u>	<u>59,232</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>	31.12.03	30.06.03
	Number	Number
\$Nil to \$9,999	1	2
\$10,000 to \$19,999	1	-
\$20,000 to \$29,999	-	-
\$30,000 to \$39,999	1	-
\$40,000 to \$49,999	-	-
\$50,000 to \$59,999	<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. 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. Swepdri International Pty Limited, a director related entity, and Mr Hans Graf, a director are guarantors under the factoring agreement.

SWEPDRI LIMITED
ABN 64 099 851 653

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

5. CONTRIBUTED EQUITY		31.12.03	30.06.03
		\$	\$
36,802,000 (30.6.03: 28,807,000) ordinary shares	5(a)	851,206	244,070
1 (30.06.03: 1) fully paid A class share	5(b)	1	1
		851,207	306,071

(a) Ordinary Shares

At the beginning of the reporting period	244,070
Share issues during the period:	638,000
Transaction costs relating to share issues	(30,864)
	851,206

	No.
At the beginning of the reporting period	28,807,000
Shares issues during the period:	
- Issue of shares at an issue price of 0.1 cents each	1,000,000
- Issue of shares at an issue price of nil cents each	3,710,000
- Issue of shares at an issue price of 15 cents each	400,000
- Issue of shares at an issue price of 20 cents each	2,885,000
At the end of the reporting period	36,802,000

(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.

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 2003

5. CONTRIBUTED EQUITY cont.	31.12.03
	\$
(b) A Class Share	
At the beginning of the reporting period	1
Share issues during the period	-
Transaction costs relating to share issues	-
	<u>1</u>

	No.
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.

In the case of a resolution other than a special resolution, on a show of hands the holder of the A Class share present at a meeting in person or by proxy is entitled to one vote, and on every poll to a number of votes equal to 51% of the total of all votes able to be cast by the holders of shares of all classes in respect of the resolution.

In the case of a special resolution on a show of hands the holder of the A Class share present at a meeting in person or by proxy is entitled to one vote, and on every poll to a number of votes equal to 76% of the total of all votes able to be cast by the holders of shares of all classes in respect of the resolution.

6. CONTINGENT ASSETS	31.12.03	30.06.03
	\$	\$
Guarantees provided by related parties		
Swepdri International Pty Limited, a director related entity, and Mr Hans Graf, a director have provided guarantees to ORIX Australia Corporation Limited in relation to the obligations of the company in respect of the factoring agreement entered into on 17 September 2003.	<u>143,886</u>	<u>-</u>

7. CONTINGENT LIABILITIES

During and since the half-year ended 31 December 2003, 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 2003 the Company has breached provisions of the Corporations Act 2001. Where possible the Company has acted and remedied the breaches.

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 2003

8. RELATED PARTY TRANSACTIONS	31.12.03	30.06.03
	\$	\$
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:		
1) Director Related Entities		
Stock purchased from Swepdri International Pty Limited, a director related entity.	<u>394,407</u>	<u>317,436</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>117,400</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>19,528</u>	<u>39,055</u>
Rental paid for vehicles, plant & equipment to Swepdri International Pty Limited, a director related entity.	<u>8,100</u>	<u>16,200</u>
Short term unsecured loan advanced to Swepdri International Pty Limited, a director related entity, outstanding at period end, with interest charged at the rate of 12% p.a. This loan was repaid prior to 30 June 2004.	<u>138,795</u>	<u>166,615</u>
Interest charged on loan advanced to Swepdri International Pty Limited, a director related entity.	<u>11,448</u>	<u>16,019</u>
Short 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. The loan was repaid prior to 30 June 2004.	<u>-</u>	<u>28,615</u>
Interest paid on loan advanced from Hanma Investments Pty Limited, a director related entity.	<u>-</u>	<u>2,365</u>
Short term unsecured loan advanced to Hanma Investments Pty Limited, a director related entity, outstanding at period end, with interest charged at the rate of 12% p.a. This loan was repaid prior to 30 June 2004.	<u>32,378</u>	<u>-</u>
Interest charged on loan advanced to Hanma Investments Pty Limited, a director related entity.	<u>1,393</u>	<u>-</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 2003

8. RELATED PARTY TRANSACTIONS cont.	31.12.03 \$	30.06.03 \$
2) Directors		
Short term unsecured loan advanced from Mr Tanvanth Santhu, a director, outstanding at period end, with interest charged at the rate of 12% p.a.	<u>4,562</u>	<u>38,662</u>
Interest paid on loan advanced from Mr Tanvanth Santhu, a director.	<u>900</u>	<u>3,662</u>
3) Share Transactions of Directors		
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the company:		
- ordinary shares	6,310	310
- A class share	<u>1</u>	<u>1</u>
	<u>6,311</u>	<u>311</u>
Directors and their related entities acquired 29,780,000 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 0.001 cents each	-	26,000,000
- Issue of shares at an issue price of 1 cents each	-	5,000
- 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	25,000	-
- Issue of shares at an issue price of nil cents each	2,750,000	-
Directors and their related entities acquired 1 A Class share in the Company under the issues described in 15(b) to the financial report and at the following issue price:		
	No.	No.
- Issue of share at an issue price of 1 dollar each	-	1

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 2003

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

2003	31.12.03	30.06.03
	\$	\$
Sales to external customers	568,707	772,370
Total sales revenue	568,707	772,370
Other revenue	12,864	16,260
Total segment revenue	581,571	788,630
Segment result	(137,441)	(208,047)
Unallocated revenue less unallocated expenses	-	-
Loss from ordinary activities before income tax expense	(137,441)	(208,047)
Income tax expense	-	-
Net loss	(137,441)	(208,047)
Segment assets	870,759	468,831
Unallocated assets	-	-
Total assets	870,759	468,831
Segment liabilities	365,040	432,807
Unallocated liabilities	-	-
Total liabilities	365,040	432,807
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	33,036	14,184
Depreciation and amortisation expense	7,427	3,132
Other non-cash expenses	(6,304)	23,287

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 2003

7. 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. On 5 February 2004 the Stock Exchange of Newcastle placed the Company into a trading halt at the request of the Australian Securities and Investments Commission ('ASIC').
2. The Company borrowed from a third party ('the Lender') an amount of \$150,000 over February and March 2004, repayable before the end of the calendar year 2004 at an interest rate of 7% per annum, payable monthly. Subject to approval of the shareholders and compliance with the Corporations Act 2001 ('the Law') and the Newcastle Stock Exchange Listing Rules ('the Rules'), the Company granted options to the Lender and was prepared to provide the right for the Lender to be issued Convertible Notes in lieu of the Company repaying the loan. On 24th June 2004, the terms of the loan were varied and the loan extended to June 2005 and the rate of interest varied to a rate of 3% per month. The right to Convertible Notes was cancelled and the right to grant options in the Company cancelled prior to the approval of shareholders and compliance with the Law and the Rules.
3. On 24th June 2004, the Company acquired the Head Licence from the director related entity SWI, with the consent of Drizoro, together with an assignment of sales contracts made by SWI in Cambodia, the Maldives, Sri Lanka, Vietnam, and the Peoples Republic of China. The arrangement formally commenced on 1st June 2004.
4. On 24th June 2004, the Company entered into a Consultancy Agreement with the Lender referred to in point 4 above, to offer services to the Company and to assist in the raising of up to \$500,000 for the purposes of working capital for the Company.
5. On 24th June 2004, the Company agreed with the Lender referred to in points 2 and 4 above, to borrow up to \$500,000 from him by drawdowns to be made in multiples of \$10,000 upon the giving of 10 days prior written notice of drawdown. The Lender has no further obligation to make available loans after 31 December 2004. Each drawdown is for a period of 12 months from the date of drawdown together with interest payable at the rate of 5% per month paid in arrears on calendar monthly rests. The Company has drawn \$200,000 of that facility as at 24th June 2004.
6. To secure the borrowing in item 5, the Company has entered into a Fixed and Floating Charge over its assets and requested the director related entity, Hanma offer a guarantee to secure the performance of the Company. Hanma has granted a second mortgage of realty it owns and leased to the Company with the consent of the first mortgagee, Westpac Banking Corporation Limited, to secure the performance of the guarantee.
7. On 24th June 2004, a director, Hans Graf, has agreed with the Company that he will seek to have the Constitution of the Company amended at its next Annual General Meeting to cancel his 1 Management Share in the capital of the Company with the attached rights without consideration.
8. A call on 3,710,000 unpaid ordinary shares was made on 28 June 2004.

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 2003

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		
	%	\$	\$	\$	\$	\$
31 DECEMBER 2003						
FINANCIAL ASSETS						
Cash assets	0.75	4,449	-	-	-	4,449
Related party loan	12.00	-	171,173	-	-	171,173
Receivables		-	-	-	261,566	261,566
		4,449	171,173	-	261,566	437,188
FINANCIAL LIABILITIES						
Interest bearing liabilities	1.5	143,886	-	-	-	143,886
Payables		-	-	-	203,818	203,818
Related party loans	12.00	-	4,562	-	-	4,562
Provisions		-	-	-	12,774	12,774
		143,886	4,562	-	216,592	365,040
NET FINANCIAL ASSETS (LIABILITIES)		(139,437)	166,611	-	44,974	72,148
	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non- interest Bearing	Total
			Within 1 year	Over 1 year		
	%	\$	\$	\$	\$	\$
30 JUNE 2003						
FINANCIAL ASSETS						
Cash assets	0.75	105,767	-	-	-	105,767
Related party loan	12.00	-	166,615	-	-	166,615
Receivables		-	-	-	113,116	113,116
		105,767	166,615	-	113,116	385,498
FINANCIAL LIABILITIES						
Interest bearing liabilities	10.0	60,000	-	-	-	60,000
Payables		-	-	-	217,413	217,413
Related party loans	12.00	-	67,277	-	-	67,277
Provisions		-	-	-	16,117	16,117
		60,000	67,277	-	233,530	360,807
NET FINANCIAL ASSETS (LIABILITIES)		45,767	99,338	-	(120,414)	24,691

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 2003

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

SWEPDRI LIMITED
ABN 64 099 861 653

DIRECTORS' DECLARATION

1. The Directors declare that the financial statements and notes set out on pages 5 to 17:

- (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 2003 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



A. Jensen
Executive Director



T. Sandhu
Non-Executive Director



Dated this 1st day of July 2004



**BKR Walker Wayland
(NSW Partnership)
Chartered Accountants**

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**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
SWEPDRI LIMITED**

Scope

We have reviewed the financial report of Swepdri Limited for the half-year ended 31 December 2003 as set out on pages 5 to 18. 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 and the 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.

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 Swepdri Limited is not in accordance with:

- (a) the Corporation Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulation 2001; and
- (b) other mandatory professional reporting requirements in Australia.



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Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matters. As a result of the issues described in Notes 2 and 7, there is significant uncertainty whether SwepDri Limited 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.

A handwritten signature in black ink that reads 'BKR Walker Wayland'.

**BKR WALKER WAYLAND
(NSW PARTNERSHIP)
Chartered Accountants**

A handwritten signature in black ink that reads 'A S Roger'.

**A S ROGER
Partner**

Dated this the 1st day of July 2004

Partners: AS Roger, HC Thomas, RS Woods, SE Arnold, TF Tyler
Consultants: JE Walker, PM Greenwood, TR Little, PJ Longhurst
Independent member of BKR International and the BKR Walker Wayland National Association Inc

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Act 1994 (NSW)