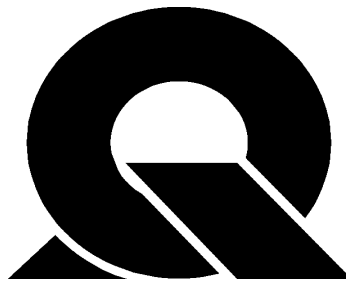


QUANTUM RESOURCES LIMITED
A.C.N. 006 690 348



**REPORT TO SHAREHOLDERS
FOR THE HALF-YEAR ENDED
31 DECEMBER 1999**

Quantum Resources Limited
Chairman's Report

14 March 2000

Dear Shareholder,

The Company has continued with its quest to discover and develop commercial diamond operations through its large portfolio of diamond exploration projects in China in joint venture with Astro Mining N.L. The Quantum- Astro Joint Venture ("QAJV") generally holds a majority interest (51-70%) with the remaining interest held by the Chinese Provincial Bureaus of Geology and Mineral Resources.

The QAJV has enlarged its portfolio of projects following the conclusion of an option and exploration agreement with the Inner Mongolia Mining Development General Cooperation ("IMMC") covering an area of approximately 170,000 square kilometres. The QAJV will have a 60% interest in the proposed joint venture. Work on identifying prospective areas has already commenced with 22 anomalies being identified from regional aeromagnetic data covering the Ordos Basin / Craton purchased from the Aero Geophysical Survey and Remote Sensory Centre in Beijing.

In the Liaoning Province, five samples of kimberlite material excavated from the trenching program at the Weizigou Prospect in West Liaoning were dispatched to the Perth diamond laboratory for microdiamond recovery. These five samples did not return diamonds. Field activities in West Liaoning were suspended until April 2000 due to the winter season in the Northern Hemisphere. Three new kimberlite occurrences were also reported from the Weizigou Prospect area.

Sampling continued at the Mengshan prospect in Shandong Province close to the 701 diamond mine at Mengyin. Significantly, a number of samples yielded chromite grains and G10 garnets with microprobing results returning excellent kimberlite chemistry.

Verification samples from areas in the Anhui and Jiangsu Provinces have returned indicator mineral grains with one G10 garnet recovered from the Langan prospect in Anhui. These positive results indicate the correct geological setting for diamondiferous kimberlites.

In addition to its diamond exploration activities in China, the Company continues to hold several strategic investments in minerals exploration companies including a 43.1 percent interest in Johnson's Well Mining N.L., a 6.2 percent interest in Gutnick Resources N.L. (previously known as Mt. Kersey Mining N.L.) and a 5 percent interest in Australian Gold Resources Limited.

The technical aspects of this report have been prepared and accurately reflects information compiled by Dr Stephan Meyer who is a Corporate Member of the Australasian Institute of Mining and Metallurgy.

Yours faithfully

J I Gutnick
Chairman and Managing Director

Quantum Resources Limited
Directors' Report

The Directors of Quantum Resources Limited present their Report for the half-year ended 31 December 1999. This Report should be read in conjunction with the 1999 Annual Report together with announcements made by the Company in accordance with the continuous disclosure obligations arising under the Corporations Law.

1. Directors

The Directors of the Company in office since 1 July 1999 and at the date of this report were:

Mr Joseph Gutnick MAICD
Chairman and Managing Director

The Hon. Robert Hawke AC BA LLB BLitt(Oxon)
Non-Executive Director

Dr David Tyrwhitt PhD(Geology) BSc(Hons) Geology FSEG(USA) FAusIMM
FIMM(London)
Non Executive Director

2. Review and results of operation

A review and results of operations are contained in the Chairman's Report and elsewhere in this Report.

The loss for the half-year ended 31 December 1999 attributable to Shareholders of Quantum Resources Limited after income tax was \$1,178,309.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 14th day of March 2000.

J I Gutnick
Director

Quantum Resources Limited and Controlled Entity
Profit and Loss Statement for the Half-Year Ended 31 December 1999

	Note	1999 \$	CONSOLIDATED 1998 \$
Revenue			
Interest revenue		5,173	97,156
Currency exchange gain		-	91,129
Total revenue		5,173	188,285
Expenses			
Administration		(485,717)	(600,781)
Takeover Expenses		(235,532)	-
Borrowing costs		(60,849)	(3,320)
Depreciation		(12,323)	(16,706)
(Increase)/decrease in provision for diminution of investments		(154,079)	395,557
Exploration expenditure written off		(180,635)	(13,737)
Total costs and expenses		(1,129,135)	(238,987)
Operating loss before equity accounting and income tax			
		(1,123,962)	(50,702)
Share of associated companies' (loss) profits	4	(54,347)	602,000
Operating (loss) profit before income tax		(1,178,309)	551,298
Income tax attributable to operating (loss)/profit		-	-
Operating (loss)/profit after income tax		(1,178,309)	551,298
Accumulated losses at the beginning of the period		(46,135,433)	(30,941,323)
Adjustment to accumulated losses at the beginning of the period upon adoption of equity accounting	4	-	(8,908,881)
Accumulated losses at the end of the period		(47,313,742)	(39,298,906)

The above profit and loss statement is to be read in conjunction with the attached notes to and forming part of these financial statements.

Quantum Resources Limited and Controlled Entity
Balance Sheet as at 31 December 1999

	Note	CONSOLIDATED 31 December 1999 \$	CONSOLIDATED 30 June 1999 \$	CONSOLIDATED 31 December 1998 \$
CURRENT ASSETS				
Cash		343,562	87,661	238,399
Receivables		306,562	15,894	969,770
Prepayments		3,805	128,514	-
TOTAL CURRENT ASSETS		653,929	232,069	1,208,169
NON-CURRENT ASSETS				
Receivables		72,779	104,340	76,947
Investments	3	5,325,895	5,177,625	9,768,411
Property, plant and equipment		48,464	64,448	86,006
Capitalised exploration and evaluation expenditure		898,174	401,000	1,693,000
TOTAL NON-CURRENT ASSETS		6,345,312	5,747,413	11,624,364
TOTAL ASSETS		6,999,241	5,979,482	12,832,533
CURRENT LIABILITIES				
Accounts payable		1,276,379	583,181	676,132
Borrowings		1,581,297	76,427	-
TOTAL CURRENT LIABILITIES		2,857,676	659,608	676,132
TOTAL LIABILITIES		2,857,676	659,608	676,132
NET ASSETS		4,141,565	5,319,874	12,156,401
SHAREHOLDERS' EQUITY				
Share capital		45,442,312	45,442,312	45,442,312
Reserves	5	6,012,995	6,012,995	6,012,995
Accumulated losses		(47,313,742)	(46,135,433)	(39,298,906)
TOTAL SHAREHOLDERS' EQUITY		4,141,565	5,319,874	12,156,401

The above balance sheet is to be read in conjunction with the attached notes to and forming part of these financial statements.

Quantum Resources Limited and Controlled Entity
Statement of Cash Flows for the Half-Year Ended 31 December 1999

	1999	CONSOLIDATED
	\$	1998
		\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(415,115)	(446,000)
Interest received	1,036	119,320
Interest and other costs of finance paid	-	(3,320)
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(414,079)	(330,000)
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Contribution made on behalf of Joint Venture partner	(63,670)	-
Payments for exploration	(451,885)	(631,140)
Payments for investments in China (i)	(305,776)	(1,370,048)
Payments for investments	-	(2,933,948)
Refunds of security deposits	25,000	-
Payments for plant and equipment	(6,689)	(4,586)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(803,020)	(4,939,722)
<hr/>		
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,473,000	-
	<hr/>	<hr/>
NET CASH FLOW FROM FINANCING ACTIVITIES	1,473,000	-
<hr/>		
Net increase in cash held	255,901	(5,269,722)
Cash at the beginning of the period	87,661	5,508,121
	<hr/>	<hr/>
CASH AT THE END OF THE PERIOD	343,562	238,399
<hr/>		

NON CASH FINANCING AND INVESTING ACTIVITIES

There were no non cash financing and investing activities.

(i) Payments represent exploration expenditure incurred in China via the investment in the Chinese incorporated entities.

The above statement of cash flows is to be read in conjunction with the attached notes to and forming part of these financial statements.

Quantum Resources Limited and Controlled Entity
Notes to and forming part of the Financial Statements
for the Half-Year Ended 31 December 1999

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

These general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts". The Company has prepared the half-year financial report on a going concern basis notwithstanding a deficiency in working capital. The reasons for this approach are cash flows for 2000 show a positive position throughout, the Company has no reason to doubt that normal credit and borrowing facilities will not continue to be provided by creditors and lenders and the Company will continue to be able to comply with these credit and borrowing terms and there are no material contingent liabilities which could have an effect on the Company's financial position. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. It is recommended that this half-year financial report should be read in conjunction with the 1999 Annual Report and any public announcements made by Quantum Resources Limited during the half-year in accordance with continuous disclosure obligations arising under the Corporations Law.

	1999	Consolidated 1998
2. EARNINGS (LOSS) PER SHARE	Cents	Cents
Basic (loss) earnings per share	(0.68)	0.32

The Company has no potential ordinary shares and consequently there are no diluted earnings per share.

	Consolidated 31 December 1999	Consolidated 30 June 1999	Consolidated 31 December 1998
	\$	\$	\$
3. INVESTMENTS			
Investments In Associates			
Listed securities	1,000,000	1,054,347	4,019,021
Other	2,107,291	1,750,594	3,376,707
	3,107,291	2,804,941	7,395,728
Investments – Other	2,218,604	2,372,684	2,372,683
	5,325,895	5,177,625	9,768,411

At 31 December 1999, the Company holds 43.07% of the issued share capital of its associate Johnson's Well Mining N.L.

Quantum Resources Limited and Controlled Entity
Notes to and forming part of the Financial Statements
for the Half-Year Ended 31 December 1999

4. INVESTMENTS IN ASSOCIATES – EQUITY ACCOUNTING

The investments in associates are accounted for in the financial statements using the equity method of accounting. The equity method was adopted with effect from 1 July 1998. Information relating to Associates is set out below.

	Consolidated 31 December 1999 \$	Consolidated 30 June 1999 \$	Consolidated 31 December 1998 \$
Equity carrying value at beginning of period	2,804,941	3,233,119	3,233,119
China investments made during the period	356,697	3,790,925	3,560,842
Share of net profit/(loss) before income tax	(54,347)	(4,219,103)	601,767
Income tax expense	-	-	-
Equity carrying value at end of period	3,107,291	2,804,941	7,395,728
Market value of listed securities	116,545,999	136,536,180	142,433,726

5. RESERVES

Share premium reserve	-	-	1,878,591
Capital reserve	6,012,995	6,012,995	-
	6,012,995	6,012,995	1,878,591

Movement during the period

Share premium reserve

Balance at beginning of the year	-	1,878,591	1,878,591
Transfer to share capital	-	(1,878,591)	-
Balance at end of period	-	-	1,878,591

Capital reserve

Balance at beginning of the year	6,012,995	-	-
Adjustment on initial adoption of revised Accounting Standard AASB 1016 “Accounting for Investments in Associates”	-	6,012,995	6,012,995
Balance at end of period	6,012,995	6,012,995	6,012,995

Quantum Resources Limited and Controlled Entity
Notes to and forming part of the Financial Statements
for the Half-Year Ended 31 December 1999

6. ECONOMIC DEPENDENCY

The Company has incurred a loss of \$1,178,309 in the year and has a net deficiency of working capital of \$2,203,747. The Financial Report has 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 Directors believe this basis to be appropriate because Chevas Pty Ltd ("Chevas"), which has provided on-going financial support to the Company in the past has confirmed that based on the Company's present and projected cash flows (and anticipated support from its financiers over that time) it should have access to sufficient funds to be in a position to assist the Company to meet its commitments.

Chevas has invited the Company, as and when funds are required, to apply to Chevas for relevant funds. Chevas will then, at its absolute discretion, determine whether it is willing or able to assist the Company.

Quantum Resources Limited and Controlled Entity
Directors' Declaration

In the opinion of the Directors of Quantum Resources Limited:

- (a) The accompanying financial statements and notes comply with the accounting standards and give a true and fair view of the Consolidated Entity's financial position as at 31 December 1999 and of its performance for the half-year ended on that date.
- (b) At the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable for the following reasons:
 - (i) cash flows for 2000 show a positive position throughout
 - (ii) the Company has no reason to doubt that normal credit and borrowing facilities will not continue to be provided by creditors and lenders and the Company will continue to be able to comply with these credit and borrowing terms
 - (iii) there are no material contingent liabilities which could have an effect on the Company's financial position.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 14th day of March 2000.

J I Gutnick
Director