

QUANTUM RESOURCES LIMITED
AND ITS CONTROLLED ENTITY
A.B.N. 84 006 690 348



REPORT TO SHAREHOLDERS
FOR THE HALF-YEAR ENDED
31 DECEMBER 2000

Chairman's Report

March 2001

Dear Shareholder,

Quantum aims to utilise innovative exploration methods and unique business models to capitalise on Australia's vast minerals wealth.

Following the decision to withdraw from diamond exploration in China, the Company has spent the past six months creating a new portfolio of exploration projects.

Leading the exciting new exploration activities is a Farm-in and Joint Venture agreement with BHP Minerals Pty Ltd ("BHPM") over its King George Prospect, located offshore in the Spencer Gulf of South Australia where the target is an Olympic Dam style copper-gold deposit.

The King George Prospect is a high order gravity/magnetic anomaly that was identified by a survey utilising BHPM's Falcon airborne gravity gradiometer system and has strong empirical similarities, in geological character, to the Olympic Dam copper-gold deposit located to the north, in the same structural corridor.

Quantum recognises the value of BHPM's new Falcon technology in delineating such a high order anomaly and believes there is a strong possibility that drilling, which commenced in February 2001, will confirm mineralisation.

While Quantum recognises the drilling of offshore targets represents significant economic risks and technical challenges, it believes the potential rewards associated with the discovery of an Olympic Dam style deposit present an opportunity in which the Company should participate.

The Company has also identified a new opportunity in mineral exploration whereby it plans to build a portfolio of tenements with the view to generating returns through a royalty structure or through farm-out opportunities. Through the Mining Royalties Business Model, Quantum is seeking to:

- acquire extensive land holdings to provide a platform for future mineral royalty returns;
- add value through the use of the latest exploration technologies;
- hold minority stakes in projects and joint ventures;
- accumulate assets across a spectrum of mineral commodities including, but not limited to, gold, copper, manganese, mineral sands, platinum/palladium and tantalum; and
- acquire existing mineral royalty entitlements from companies not focused specifically upon such opportunities.

The Company will seek to rapidly advance the development of this business model throughout 2001 while actively seeking both farm-out and farm-in joint venture exploration opportunities.

Quantum has also recently acquired Topalite Resources Pty Ltd (“Topalite”) from Autogen Limited. Topalite owns 100 percent of the Torrington Topaz Project in NSW, from which various hi-tech strengthening materials can be produced. Topalite aims to develop the production of hi-tech value added topaz-based materials and to establish a worldwide market enabling it to become a leader in the manufacture of hi-tech strengthening materials for the ceramics industry.

In addition to the abovementioned activities, the Company continues to hold several strategic investments in minerals exploration companies, including a 43 percent interest in Johnson’s Well Mining NL and a 6.2 percent interest in Gutnick Resources NL.

In order to assist the Company to fund its ongoing activities, a Prospectus was issued on 10 November 2000 for a renounceable rights issue of shares and options. At the closing of the rights issue, a total of 30,960,621 shares and options had been issued and in accordance with the terms of the Prospectus, the Director’s are seeking to place the remaining 143,295,241 shares and options.

The Company believes that by focussing on these Australian based exploration projects and the new Mining Royalties Business Model, it is well placed to provide shareholders with significant returns and we thank our loyal shareholders for their continued support.

J I GUTNICK
Chairman and Managing Director

The technical information in this report is based on and accurately reflects information compiled by Dr David Tyrwhitt, Non-Executive Director, who is a Corporate Member of the Australasian Institute of Mining and Metallurgy.

Directors' Report

The Directors of Quantum Resources Limited present their Report for the half-year ended 31 December 2000. This Report should be read in conjunction with the 2000 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 at 1 July 2000 and at the date of this report were:

Mr Joseph Gutnick FAusIMM, FAIM, MAICD Chairman and Managing Director	Continuing
The Hon. Robert Hawke AC BA LLB BLitt(Oxon) Non-Executive Director	Continuing
Dr David Tyrwhitt PhD(Geology) BSc(Hons) Geology FSEG(USA) FAusIMM GPGeo FIMM(London) Non Executive Director	Continuing

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 2000 attributable to Shareholders of Quantum Resources Limited after income tax was \$1,660,820 (1999 Loss \$1,178,309).

Signed in accordance with a resolution of the Board of Directors at Melbourne this 15th day of March 2001.

J I Gutnick
Director

Quantum Resources Limited
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Profit and Loss Statement for the Half-Year Ended 31 December 2000

	Note	2000	1999
Revenue		\$	\$
Interest revenue		5,259	5,173
Currency exchange gain		1,465	-
		<hr/>	<hr/>
Total revenue		6,724	5,173
		<hr/>	<hr/>
Expenses			
Cost of discontinuing operations	5	(428,304)	-
Administration		(461,676)	(485,717)
Takeover expenses		-	(235,532)
Borrowing costs		(147,643)	(60,849)
Depreciation		(7,760)	(12,323)
Increase in provision for diminution of investments		(622,161)	(154,079)
Exploration expenditure written off		-	(180,635)
		<hr/>	<hr/>
Total costs and expenses		(1,667,544)	(1,129,135)
		<hr/>	<hr/>
Operating loss before equity accounting and income tax		(1,660,820)	(1,123,962)
Share of associated companies' loss	4	-	(54,347)
		<hr/>	<hr/>
Operating loss before income tax		(1,660,820)	(1,178,309)
Income tax attributable to operating loss		-	-
		<hr/>	<hr/>
Operating loss after income tax		(1,660,820)	(1,178,309)
Accumulated losses at the beginning of the period		(53,069,681)	(46,135,433)
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Accumulated losses at the end of the period		(54,730,501)	(47,313,742)
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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
A.B.N. 84 006 690 348

Balance Sheet as at 31 December 2000

	Note	31 December 2000 \$	30 June 2000 \$	31 December 1999 \$
CURRENT ASSETS				
Cash		105,671	71,616	343,562
Receivables		9,703	68,144	306,562
Prepayments		-	8,514	3,805
TOTAL CURRENT ASSETS		115,374	148,274	653,929
NON-CURRENT ASSETS				
Receivables		7,900	8,320	72,779
Investments	3	1,656,053	2,278,214	5,325,895
Property, plant and equipment		-	28,468	48,464
Capitalised exploration and evaluation expenditure		-	-	898,174
TOTAL NON-CURRENT ASSETS		1,663,953	2,315,002	6,345,312
TOTAL ASSETS		1,779,327	2,463,276	6,999,241
CURRENT LIABILITIES				
Accounts payable		1,405,294	1,255,806	1,276,379
Borrowings		-	2,821,844	1,581,297
TOTAL CURRENT LIABILITIES		1,405,294	4,077,650	2,857,676
NON-CURRENT LIABILITIES				
Borrowings		553,159	-	-
TOTAL NON-CURRENT LIABILITIES		553,159	-	-
TOTAL LIABILITIES		1,958,453	4,077,650	2,857,676
NET (LIABILITIES) ASSETS		(179,126)	(1,614,374)	4,141,565
EQUITY				
Share capital		48,538,380	45,442,312	45,442,312
Capital reserve		6,012,995	6,012,995	6,012,995
Accumulated losses		(54,730,501)	(53,069,681)	(47,313,742)
TOTAL (DEFICIT) EQUITY		(179,126)	(1,614,374)	4,141,565

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
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Statement of Cash Flows for the Half-Year Ended 31 December 2000

	2000	1999
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	(370,223)	(415,115)
Interest received	-	1,036
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NET CASH USED IN OPERATING ACTIVITIES	(370,223)	(414,079)
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CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution from Joint Venture partner	40,000	-
Net Contribution made on behalf of Joint Venture partner	-	(63,670)
Payments for exploration	(148,859)	(451,885)
Payments for investments in China (i)	-	(305,776)
Payments for discontinuing operations	(164,831)	-
Refunds of security deposits	-	25,000
Payments for plant and equipment	-	(6,689)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(273,690)	(803,020)
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CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	3,096,068	-
Proceeds from borrowings	581,900	1,473,000
Repayment of borrowings	(3,000,000)	-
	<hr/>	<hr/>
NET CASH FLOWS FROM FINANCING ACTIVITIES	677,968	1,473,000
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Net increase in cash held	34,055	255,901
Cash at the beginning of the period	71,616	87,661
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CASH AT THE END OF THE PERIOD	105,671	343,562
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(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.

Notes to and forming part of the Financial Statements
for the Half-Year Ended 31 December 2000

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

This 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 and net assets. The reasons for this approach are cash flows for 2001 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 2000 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.

	2000	1999
2. EARNINGS (LOSS) PER SHARE	Cents	Cents
Basic (loss) earnings per share	(0.94)	(0.68)

Diluted earnings per share for 31 December 2000 have not been disclosed as they are not materially different from basic earnings per share.

	31 December 2000 \$	30 June 2000 \$	31 December 1999 \$
3. INVESTMENTS			
Investments In Associates			
Listed securities at cost	1,000,000	1,000,000	1,000,000
Other	-	-	2,107,291
	1,000,000	1,000,000	3,107,291
Investments – Other at net book value	656,053	1,278,214	2,218,604
	1,656,053	2,278,214	5,325,895

At 31 December 2000, the Company holds 43.07% of the issued share capital of its associate Johnson's Well Mining N.L.

Notes to and forming part of the Financial Statements
for the Half-Year Ended 31 December 2000

4. INVESTMENTS IN ASSOCIATES – EQUITY ACCOUNTING

The investments in associates are accounted for in the financial statements using the equity method of accounting. Information relating to Associates is set out below.

	31 December 2000 \$	30 June 2000 \$	31 December 1999 \$
Equity carrying value at beginning of period	1,000,000	2,804,941	2,804,941
China investments made during the period	-	477,769	356,697
Share of net profit/(loss) before income tax	-	(54,466)	(54,347)
Income tax expense	-	-	-
Provision for diminution in value	-	(2,228,244)	-
	1,000,000	1,000,000	3,107,291
Market value of listed securities	105,950,908	124,542,726	116,545,999

5. DISCONTINUING OPERATIONS

During the Half Year the Company discontinued its exploration operations in China. The cost of discontinuing operations comprise:

	114,614
Abandonment of assets	164,831
Employee termination payments	148,859
Exploration expenditure written off	-
	428,304

Quantum Resources Limited
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Notes to and forming part of the Financial Statements
for the Half-Year Ended 31 December 2000

6. ECONOMIC DEPENDENCY

The Company has incurred a loss of \$1,660,820 in the half-year and has a net deficiency of working capital of \$1,843,079 and a deficiency in net assets of \$179,126. The Financial Report has been prepared on the basis of a 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"), a Director related entity 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.

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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 the Corporations Regulations and give a true and fair view of the Company's financial position as at 31 December 2000 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 2001 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 15th day of March 2001.

J I Gutnick
Director



Chartered Accountants
& Business Advisers

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INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF QUANTUM RESOURCES LIMITED

Scope

We have reviewed the financial report of Quantum Resources Limited for the half-year ended 31 December 2000. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled during the half-year. The disclosing entity'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: Half-Year Accounts and Consolidated Accounts and other mandatory professional reporting requirements and statutory requirements 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 disclosing entity 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. A review is limited primarily to inquiries of disclosing entity's 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 matters that makes us believe that the half-year financial report of Quantum Resources 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 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.

PKF
Chartered Accountants

15 March, 2001
Melbourne

M J Phillips
Partner