
Quantum Resources Limited and its Controlled Entity

ABN 84 006 690 348

**REPORT TO SHAREHOLDERS
FOR THE HALF YEAR ENDED
31 DECEMBER 2001**

Quantum Resources Limited
ABN 84 006 690 348

Chairman's Report

March 2002

Dear Shareholder,

The past four months has seen an exciting resurgence in the junior exploration sector of the resources market in Australia. Quantum is well placed to benefit from this, with several projects in Australia with potential to host a major mineral discovery. The Company has a commodity focus towards gold, however, all other mineral commodities are considered on their merits.

Over the last year, Quantum has successfully repositioned itself in the Australian junior exploration sector and has now acquired over 6,000 square kilometres of tenements in Western Australia, Northern Territory, South Australia, Victoria and New South Wales. In keeping with its mineral royalty business model, the Company intends to conduct exploration on specific properties to a point where a major partner is attracted to fund detailed exploration and possible mine development. Other properties will be farmed out to third party exploration and mining companies with the Company retaining an equity or royalty interest.

As was recently announced, the Company is currently planning exploration programs for its Gawler Craton properties in South Australia. The Company's licences are located along strike from the Challenger Deposit and immediately adjacent to Dominion Mining Limited's Golf Bore prospect where an inferred gold resource has been reported. The Golf Bore mineralisation extends onto the Company's Wilgingi licence and a review of existing exploration data has highlighted a number of targets within this zone for drill testing. The Company's geological synthesis, together with recent exploration results from other explorers in the Gawler Craton, further suggest that there may also be potential for Olympic Dam style copper gold mineralisation in the area.

Quantum has several other project areas that are currently being reviewed. This may result in a decision to sole fund exploration before seeking a major partner.

Agreements between the Company and third party mining and exploration companies have been concluded on the following properties:

- ◆ Southern Star Project (gold)
- ◆ Pilbara Manganese Project (manganese)
- ◆ Ambergate and Eneabba East Projects (mineral sands)

Quantum also holds a number of strategic investments in minerals exploration companies, including a 43.1 percent interest in Johnson's Well Mining N.L. and a 6.2 percent interest in Gutnick Resources N.L. These two companies, listed on the Australian Stock Exchange, are gold exploration companies with active projects in the Northern Territory and the Eastern Goldfields of Western Australia. Johnson's Well has recently announced a major reduction in its debt, a share consolidation and a renounceable rights issue to raise \$6.3 million.

We have also announced that we will be making a rights issue of approximately 109 million options to existing shareholders on the basis of 1 new option for every 2 shares held by a shareholder. The issue price will be 2 cents per option and the exercise price will be 10 cents per option. The latest exercise date will be 10 years from the date of issue. The Company is currently preparing a disclosure document for this issue.

The Company is being positioned to take full advantage in the recent upturn in the Australian junior exploration market and will continue seek innovative ways of providing significant returns to its shareholders. On behalf of the Board, I would like to thank you for your ongoing support.

Handwritten signature of J.I. Gutnick in black ink.

J I GUTNICK
Chairman and Managing Director

The technical information in this report is based on and accurately reflects information compiled by Mr David von Perger, who is a Member of the Australasian Institute of Mining and Metallurgy.

Quantum Resources Limited
ABN 84 006 690 348

Directors' Report

The Directors of Quantum Resources Limited present their report for the half year ended 31 December 2001. This Report should be read in conjunction with the 2001 Annual Report together with announcements made by the Company in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

1. Directors

The Directors of the Company in office since 1 July 2001 and at the date of this Report are:

Mr Joseph Gutnick FAusIMM FAIM MAICD
Chairman and Managing Director

The Hon. Robert Hawke A.C. BA LLB Blitt(Oxon)
Non-Executive Director

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

2. Review and Results of Operations

A review of operations is contained in the Chairman's Report. The financial result of the operations was a loss of \$1,371,358 after providing for income tax.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 15th day of March 2002.



J I Gutnick
Director

Quantum Resources Limited and its Controlled Entity
Statements of Financial Performance for the Half Year Ended 31 December 2001

	Note	Consolidated 31 December 2001 \$	Parent Entity 31 December 2000 \$
Revenue			
Revenue from ordinary activities			
Interest		737	5,259
Bad debt recovery		10,000	-
		<hr/>	<hr/>
Total revenue		10,737	5,259
		<hr/>	<hr/>
Expenses			
Costs from ordinary activities			
Exploration expenditure provided for and written off		(13,862)	-
Write back provision for rehabilitation		34,653	-
Depreciation		(958)	(7,760)
Administration		(345,344)	(461,676)
Borrowing costs		(56,642)	(147,643)
Increase in provisions for diminution in the value of investment		(999,942)	(622,161)
Gain on foreign currency		-	1,465
Expenses of discontinued China operations		-	(428,304)
		<hr/>	<hr/>
Total costs and expenses		(1,382,095)	(1,666,079)
		<hr/>	<hr/>
Operating loss before income tax		(1,371,358)	(1,660,820)
Income tax attributable to ordinary activities		-	-
		<hr/>	<hr/>
Operating loss after income tax		(1,371,358)	(1,660,820)
		<hr/>	<hr/>
Basic earnings/(loss) per share (cents)	2	(0.64)	(0.94)

The Statements of Financial Performance are to be read in conjunction with the attached notes to and forming part of these Financial Statements.

Quantum Resources Limited and its Controlled Entity
Statements of Financial Position as at 31 December 2001

	Note	Consolidated 31 December 2001 \$	Consolidated 30 June 2001 \$	Parent Entity 31 December 2000 \$
CURRENT ASSETS				
Cash assets		6,892	1,809	105,671
Receivables		9,843	11,672	9,703
TOTAL CURRENT ASSETS		16,735	13,481	115,374
NON-CURRENT ASSETS				
Receivables		53,758	54,004	7,900
Other financial assets	3	312,240	1,312,181	1,656,053
Property, plant and equipment		118,413	119,370	-
Exploration expenditure		174,914	63,518	-
TOTAL NON-CURRENT ASSETS		659,325	1,549,073	1,663,953
TOTAL ASSETS		676,060	1,562,554	1,779,327
CURRENT LIABILITIES				
Payables		128,965	91,773	78,377
Interest bearing liabilities		-	-	1,326,917
TOTAL CURRENT LIABILITIES		128,965	91,773	1,405,294
NON-CURRENT LIABILITIES				
Interest bearing liabilities		1,549,865	1,067,629	553,159
Provisions		-	34,564	-
TOTAL NON-CURRENT LIABILITIES		1,549,865	1,102,193	553,159
TOTAL LIABILITIES		1,678,830	1,193,966	1,958,453
NET ASSETS		(1,002,770)	368,588	(179,126)
EQUITY				
Contributed equity		49,818,380	49,818,380	48,538,380
Reserves		6,012,995	6,012,995	6,012,995
Accumulated losses	4	(56,834,145)	(55,462,787)	(54,730,501)
TOTAL EQUITY		(1,002,770)	368,588	(179,126)

The Statements of Financial Position are to be read in conjunction with the attached notes to and forming part of these Financial Statements.

Quantum Resources Limited and its Controlled Entity
Statements of Cash Flows for the Half Year Ended 31 December 2001

	Consolidated 31 December 2001 \$	Parent Entity 31 December 2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments in the course of operations	(9,508)	(370,223)
NET CASH (USED IN) OPERATING ACTIVITIES	(9,508)	(370,223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution from Joint Venture partner	-	40,000
Payments for exploration expenditure	(27,809)	(148,859)
Payments for discontinuing China operations	-	(164,831)
NET CASH (USED IN) INVESTING ACTIVITIES	(27,809)	(273,690)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	-	3,096,068
Bad debt recovery	10,000	-
Proceeds from borrowings	132,500	581,900
Repayment of borrowings	(100,100)	(3,000,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	42,400	677,968
Net increase in cash held	5,083	34,055
Cash at the beginning of the financial period	1,809	71,616
CASH AT THE END OF THE FINANCIAL PERIOD	6,892	105,671

The Statements of Cash Flows are to be read in conjunction with the attached notes to and forming part of these Financial Statements.

Quantum Resources Limited and its Controlled Entity
Notes to and forming part of the Financial Statements
for the Half Year Ended 31 December 2001

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS

The half year consolidated Financial Report is a general purpose Financial Report and has been prepared in accordance with Accounting Standard AASB 1029, other applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncement of the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Report has been prepared on the historical cost basis and except where stated, does not take into account changing money values or current valuations of non-current assets. The Consolidated Entity has prepared the financial statements on a going concern basis notwithstanding a working capital deficiency at 31 December 2001. Except where stated, the accounting policies are consistent with those of the previous year. 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 2001 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 Act 2001. Notes of a type normally included in an Annual Financial Report are not included.

2. EARNINGS/(LOSS) PER SHARE

	Consolidated 2001 Number	Parent Entity 2000 Number
Weighted average number of ordinary shares on issue used in the calculation of basic earnings/(loss) per share	213,772,025	175,769,260

There are no potential ordinary shares considered to be dilutive.

3. OTHER FINANCIAL ASSETS

	Consolidated 31 December 2001	Consolidated 30 June 2001	Parent Entity 31 December 2000
NON-CURRENT			
Listed Securities			
Other Entities at cost	1,841,430	1,841,430	2,398,072
Less provision for diminution in value	(1,539,190)	(1,539,249)	(1,742,019)
	302,240	302,181	656,053
Unlisted Securities at cost	10,000	10,000	-
Associated Entities			
Listed securities at cost	1,000,000	1,000,000	1,000,000
Less provision for diminution in value	(1,000,000)	-	-
	-	1,000,000	1,000,000
	312,240	1,312,181	1,656,053

The Company has written down the value of options in associated entity to nil on the basis that the option may not be exercised.

At 31 December 2001, the Company holds 43.07% of the issued share capital of its associate Johnson's Well Mining N.L.

Quantum Resources Limited and its Controlled Entity
Notes to and forming part of the Financial Statements
for the Half Year Ended 31 December 2001

	Consolidated 31 December 2001 \$	Consolidated 30 June 2001 \$	Parent Entity 31 December 2000 \$
4. ACCUMULATED LOSSES			
Accumulated losses at the beginning of the period	(55,462,787)	(53,069,681)	(53,069,681)
Net loss	(1,371,358)	(2,393,106)	(1,660,820)
Accumulated losses at the end of the period	(56,834,145)	(55,462,787)	(54,730,501)

5. CONTINGENT LIABILITIES

There have been no changes since 30 June 2001.

6. SEGMENT INFORMATION

The principal activity of the Company is mineral exploration. The Company operates predominantly in Australia.

7. ECONOMIC DEPENDENCY

The Company has incurred a loss of \$1,371,358 in the half year and has a net deficiency of working capital of \$112,230. 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 Mr. Gutnick (a Director of the Company) has confirmed that based on the Company's present and projected cash flows (and anticipated support from its financiers over that time) he should have access to sufficient funds to be in a position to assist the Company to meet its commitments. Mr. Gutnick has invited the Company, as and when funds are required, to apply to him for relevant funds. Mr. Gutnick will then, at his absolute discretion, determine whether he is willing or able to assist the Company.

Quantum Resources Limited
ABN 84 006 690 348

Directors' Declaration

In the opinion of the Directors of Quantum Resources Limited

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2001 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001.
- (b) 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) the Company is preparing a prospectus for the issue of options which will raise funds to fund exploration, provide working capital and part repayment of loans.
 - (ii) cash flows for 2002 show a positive position throughout the year.
 - (iii) 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 terms.
 - (iv) 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 2002.



J.I. Gutnick
Director

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

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement above, attention is drawn to the following matter. As a result of the matters described in Note 7, there is significant uncertainty whether Quantum Resources 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.

PKF
Chartered Accountants

M J Phillips
Partner

15 March, 2002
Melbourne