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# Quantum Resources Limited and its Controlled Entity

ABN 84 006 690 348

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**REPORT TO SHAREHOLDERS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2003**

Quantum Resources Limited  
ABN 84 006 690 348  
Chairman's Report

11 March 2004

Dear Shareholder

Quantum Resources Limited ("Quantum" or the "the Company") is an Australian gold explorer with projects in Western Australia. The recently acquired Whiteheads and the existing St Ives projects are the current focus of exploration, with the Company farming out a number of its other projects and retaining either a free carried interest or a royalty. This strategy to advance projects, where value can be added quickly and looking for partners to progress exploration on its other projects, has seen the Company conclude agreements on its tenements at Dulcie, East Pilbara, Zuleika, Tuckabianna, Wallbrook and Kalgoorlie North.

### Whiteheads Project (Quantum earning 80%)

The Whiteheads Project covers part of the Gindalbie Greenstone Belt at its northern contact with granite and is located between two major north-north-west trending terrane bounding faults. The Gindalbie gold mining centre is at the south end of the project area and represents a consolidated landholding in an area prospective for gold mineralisation.

A number of soil geochemical anomalies have been identified, and while the majority of these have been drill tested at shallow depths by previous explorers, the drilling has not fully tested strike and/or depth potential.

During the half year, the Company completed approximately 5,600 metres of rotary airblast ("RAB") drilling at Whiteheads.

The following significant intersections were returned:

Hole	Northing	Easting	Width (Metres)	Grade (g/t)	From (Metres)
WITHB651	57200	77200	9	0.26	20
WITHB682	56560	78800	4	0.36	56
WITHB694	61288	73452	4	0.43	24
WITHB701	61119	73557	18	0.54	28
Incl.			4	2.03	28
WITHB707	61267	73418	4	0.36	24
WITHB729	48080	77920	4	0.50	0
WITHB730	48080	77840	4	0.41	0

*Note: Downhole depth and metres are shown and are not necessarily true width. All results are from 4 metre composite samples.*

The Company is currently in the process of preparing an exploration program, with work planned to commence during the first quarter of 2004.

### **St. Ives Project (Quantum 100%)**

At the St. Ives project, the Company holds three tenements covering approximately 47 square kilometres covering a highly prospective zone within Lake Lefroy, approximately 60 kilometres south of Kalgoorlie. Quantum's tenure lies immediately east of the Boulder-Lefroy fault system that hosts the world-class St Ives mineral field presently producing 400,000 ounces of gold per annum. In addition, the one million ounce Belleisle gold deposit is located approximately two kilometres to the southwest of the project area. The Company is in the process of acquiring and interpreting detailed magnetics for the project area, to assist with the targeting of drill holes. Drilling is expected to commence in the first half of 2004.

### **Tuckabianna Project (Quantum 100% Farming Out)**

At the Tuckabianna Project, the Company holds tenements covering approximately 160 square kilometres, located 20 kilometres east of Cue in Western Australia. The Company has reached agreement with West Coast Mining Pty Ltd ("West Coast") regarding terms for a farm-in agreement. West Coast conducted a 757 line kilometre airborne Electromagnetic (EM) survey over the northern half of Tuckabianna tenement block. Data processing is in progress. The airborne EM survey compliments previous remote sensing, geological fact mapping and exploration drilling layers. The aim of this work is to assist drill target generation studies.

### **Wallbrook & Kalgoorlie North Projects (Quantum 100% Farming Out)**

The Wallbrook and Kalgoorlie North Projects are managed by Jackson Gold Limited ("Jackson"). Jackson are spending approximately \$250,000 over three years to earn an 80% interest in the tenements. The Company's 20% interest will then be free carried until decision to mine. Jackson have conducted an extensive data review of the Wallbrook and Kalgoorlie North project areas and have generated a number of targets. Jackson are currently in the process of preparing an exploration program, with work planned to commence in the first half of 2004.

### **Jackson Project (Quantum 100%)**

The Jackson project is located approximately 100 kilometres north of Southern Cross in Western Australia. The project consists of eleven tenements covering approximately 730 square kilometres of the Barlee greenstone belt, including favourable greenstone lithologies for Archaean gold mineralisation. The ground position has been built up over a number of years and includes large areas that are covered by generally thin alluvial and colluvial deposits. The area has received only limited systematic exploration in the past and potential exists for the discovery of economic gold deposits. The Company is currently in the process of preparing an exploration program, with work planned to commence during the first quarter of 2004.

### **Investments**

Quantum holds a number of strategic investments in minerals exploration companies, including a 17.9 percent interest in the junior explorer Johnson's Well Mining N.L. that is listed on the Australian Stock Exchange and has gold exploration projects in the Northern Territory and the Eastern Goldfields of Western Australia. Further information on this company can be found on its website at: [www.jwm.com.au](http://www.jwm.com.au).

## Corporate

During the half year, the Company placed 4,490,000 ordinary shares at 11 cents per share totalling \$420,000 to sophisticated investors.

A handwritten signature in black ink that reads "J.I. Gutnick". The signature is written in a cursive style with a distinct loop for the 'i' in "Gutnick".

Jl Gutnick  
Chairman & Managing Director

The technical information in this report has been reviewed and approved by Dr David Tyrwhitt, who is a Member of the Australian Institute of Mining and Metallurgy and has 44 years experience in the exploration field.

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 2003. This Report should be read in conjunction with the 2003 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 2003 and at the date of this Report are:

Mr Joseph Gutnick FAusIMM FAIM MAICD  
Chairman and Managing Director

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

Mordechai Gutnick  
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 \$4,205 after providing for income tax.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 11<sup>th</sup> day of March 2004.



J I Gutnick  
Director

Quantum Resources Limited and its Controlled Entity  
Statements of Financial Performance for the Half Year Ended 31 December 2003

	Note	Consolidated 31 December 2003 \$	Consolidated 31 December 2002 \$
<b>Revenue</b>			
Revenue from ordinary activities			
Interest		4,604	8
Proceeds from sale of financial asset		143,791	-
Total revenue		148,395	8
<b>Expenses</b>			
Costs from ordinary activities			
Exploration expenditure provided for and written off		34,208	(3,565)
Administration		(187,275)	(211,091)
Borrowing costs		(9,273)	(61,859)
Decrease/(increase) in provisions for diminution in the value of investment		9,740	(111,770)
Total expenses		(152,600)	(388,285)
<b>Operating loss from ordinary activities before income tax</b>		(4,205)	(388,277)
Income tax attributable to ordinary activities		-	-
<b>Net loss</b>		(4,205)	(388,277)
Total changes in equity other than those resulting from transactions with owners as owners		(4,205)	(388,277)
Basic profit / (loss) per share (cents)		-	(0.18)
Diluted profit / (loss) per share (cents)		-	(0.18)

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 2003

	Note	Consolidated 31 December 2003 \$	Consolidated 30 June 2003 \$
<b>CURRENT ASSETS</b>			
Cash assets		6,490	4,934
Receivables		4,138	4,211
<b>TOTAL CURRENT ASSETS</b>		<b>10,628</b>	<b>9,145</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		321,061	92,356
Other financial assets		240,921	231,181
Exploration expenditure		327,411	169,345
<b>TOTAL NON-CURRENT ASSETS</b>		<b>889,393</b>	<b>492,882</b>
<b>TOTAL ASSETS</b>		<b>900,021</b>	<b>502,027</b>
<b>CURRENT LIABILITIES</b>			
Payables		140,609	90,051
<b>TOTAL CURRENT LIABILITIES</b>		<b>140,609</b>	<b>90,051</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities		113,493	220,557
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>113,493</b>	<b>220,557</b>
<b>TOTAL LIABILITIES</b>		<b>254,102</b>	<b>310,608</b>
<b>NET ASSETS</b>		<b>645,919</b>	<b>191,419</b>
<b>EQUITY</b>			
Contributed equity		51,611,770	51,153,057
Reserves	2	619,691	6,632,694
Accumulated losses	3	(51,585,542)	(57,594,332)
<b>TOTAL EQUITY</b>		<b>645,919</b>	<b>191,419</b>

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 2003

	Consolidated 31 December 2003 \$	Consolidated 31 December 2002 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments in the course of operations	(178,708)	(197,342)
Interest received	4,498	-
	(174,210)	(197,342)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for exploration expenditure	(89,750)	(165,292)
	(89,750)	(165,292)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issue of shares	465,890	1,864,085
Proceeds from borrowings	155,853	700,672
Repayment of borrowings	(510,018)	(2,227,734)
Net proceeds from sale of financial asset	143,791	-
Refund of security deposit	10,000	-
	265,516	337,023
Net increase in cash held	1,556	(25,611)
Cash at the beginning of the financial period	4,934	44,300
	6,490	18,689

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 2003

**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 2003. 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 2003 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.

	Consolidated 31 December 2003	Consolidated 30 June 2003
<b>2. RESERVES</b>		
Option Reserve	619,691	619,699
Capital Reserve	-	6,012,995
Movement in the:		
Option reserve		
Opening balance	619,699	-
Options issued		619,727
Options exercised	(8)	(68)
	619,691	619,699
Capital reserve		
Opening balance	6,012,995	6,012,995
Transfer to accumulated losses on discontinuation of equity accounting of former associate	(6,012,995)	-
	-	6,012,995
<b>3. ACCUMULATED LOSSES</b>		
Accumulated losses at the beginning of the period	(57,594,332)	(56,937,121)
Net profit/(loss) for the period	(4,205)	(657,211)
Transfer from reserves on discontinuation of equity accounting of former associate	6,012,995	-
	(51,585,542)	(57,594,332)

Quantum Resources Limited and its Controlled Entity  
Notes to and forming part of the Financial Statements  
for the Half Year Ended 31 December 2003

**4. CONTINGENT LIABILITIES**

There have been no material changes since 30 June 2003.

**5. SEGMENT INFORMATION**

Business segments	Mineral Exploration		Investments		Consolidated	
	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$
<b>Primary Segment</b>						
Revenue						
Interest	4,604	8	-	-	4,604	8
Proceeds from sale on non-current assets	-	-	143,791	-	143,791	-
Total segment revenue	4,604	8	143,791	-	148,395	8
<b>Results</b>						
Net loss/(profit)	157,736	276,507	(153,531)	111,770	4,205	388,277

**Secondary Segment**

Geographic segment

The Company operates predominantly in Australia

**6. GOING CONCERN**

The Company has a net deficiency or working capital of \$129,981 at 31 December 2003. 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. In the past, Chevas Pty Ltd, a company associated with Mr Gutnick (a director of the Company) has provided on-going financial support to the Company. Mr. Gutnick 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. In addition, 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 and there are no material contingent liabilities which could have an effect on the Company's financial position. Without the above support, there is significant uncertainty whether the Entity will 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.

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 2003 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 reasons set out in note 6.

Signed in accordance with a Resolution of the Board of Directors at Melbourne this 11<sup>th</sup> day of March 2004.



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 2003. 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.

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

#### 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 2003 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 in Australia

#### 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 6, 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

11 March 2004  
Melbourne



M J Phillips  
Partner