



ZEOLITE AUSTRALIA LIMITED

A.C.N. 010 550 357 A.B.N 87 010 550 357

Level 3
100 Dorcas Street
SOUTH MELBOURNE VIC 3004

Tel: (03) 9699 4599
Fax: (03) 9699 4522

12 September 2003

Manager Companies
Australian Stock Exchange
20 Bond Street
Sydney NSW 2000

Dear Sir

Zeolite Australia Limited releases preliminary final report

Please find attached the preliminary final report for the year ended 30 June 2003, for Zeolite Australia Limited.

During the year under review the company has reduced its net loss by 23% to \$825,451.

This result was achieved despite a fall in revenues of 15%, predominantly due to the completion of the Brisbane Water "Zelflocc" trial in October 2002.

The local swimming pool industry continues to enthusiastically receive the "Zelbrite" pool filter media as it demonstrates the remarkable improvement it brings to swimming pool water quality. "Zelbrite" has transformed the attitude of the swimming pool industry to water filtration and we are seeing expanding sales interest. "Zelbrite" is now extensively distributed throughout Australia.

During the year Waste Technologies of Australia Pty Ltd, in which we have a strategic investment, was awarded a grant of \$250,000 under the Victorian Government "SMART WATER" initiative to demonstrate the commercial operation of the Multiple Water Reuse Technology (MWR) at the Flemington Race Course.

Strong interest has been generated in the MWR technology and the concept is being evaluated for use in Government and commercial office buildings, residential, apartment buildings, golf courses and other applications.

The commercial operation of the MWR technology at the high profile Flemington Racecourse is expected to accelerate the rollout for this innovative technology.

The Board of Zeolite Australia Limited is striving to increase the range of innovative products and solutions it can bring to the market to strengthen sales activities and increase revenues.

Yours sincerely

L. Trevor Baldock
Chairman

RULES 4.1, 4.3

APPENDIX 4E

Preliminary final report

Introduced 30/6/2002.

Name of entity

Zeolite Australia Limited

ABN or equivalent company
reference

87 010 550 357

Half yearly
(tick)

Preliminary
final (tick)

Half year/financial year ended ('current
period')

30 June 2003

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (<i>item 1.1</i>)	Down	15%	to	1,477
(Loss) from ordinary activities after tax attributable to members (<i>item 1.22</i>)	Down	23%	to	(825)
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)	gain (loss) of			
Net (loss) for the period attributable to members (<i>item 1.11</i>)	Down	23%	to	(825)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (<i>Preliminary final report only - item 15.4</i>)		€		€
Interim dividend (<i>Half yearly report only - item 15.6</i>)				
Previous corresponding period (<i>Preliminary final report - item 15.5; half yearly report - item 15.7</i>)		€		€
<p>+ Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>)</p>				
<p>Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:</p>				

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial performance

		Current period - \$A'000	Previous corresponding period - \$A'000
1.1	Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	1,477	1,730
1.2	Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	2,167	2,653
1.3	Borrowing costs	135	147
1.4	Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)	0	0
1.5	Profit (loss) from ordinary activities before tax	(825)	(1,070)
1.6	Income tax on ordinary activities (<i>see note 4</i>)	0	0
1.7	Profit (loss) from ordinary activities after tax	(825)	(1,070)
1.8	Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	0	0
1.9	Net profit (loss)	(825)	(1,070)
1.10	Net profit (loss) attributable to outside + equity interests	0	0
1.11	Net profit (loss) for the period attributable to members	(825)	(1,070)
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves		
1.13	Net exchange differences recognised in		
1.14	equity		
1.15	Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
	Initial adjustments from UIG transitional provisions		
1.16	Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	0	0
1.17	Total changes in equity not resulting from transactions with owners as owners	0	0
Earnings per security (EPS)		Current period	Previous corresponding period
1.18	Basic EPS	(2.3) cents	(3.9) cents
1.19	Diluted EPS	(2.3) cents	(3.9) cents

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	(825)	(1,070)
1.21 Less (plus) outside ⁺ equity interests	0	0
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(825)	(1,070)

Revenue and expenses from ordinary activities

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from sales or services	1,467	1,694
1.24 Interest revenue	10	16
1.25 Other relevant revenue	0	20
1.26 Details of relevant expenses	0	0
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	278	310
Capitalised outlays		
1.28 Interest costs capitalised in asset values	0	0
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	0	0

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(13,474)	(12,404)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	(825)	(1,070)
1.32 Net transfers from (to) reserves (<i>details if material</i>)	0	0
1.33 Net effect of changes in accounting policies	0	0

+ See chapter 19 for defined terms.

1.34 Dividends and other equity distributions paid or payable	0	0
1.35 Retained profits (accumulated losses) at end of financial period	(14,299)	(13,474)

Intangible and extraordinary items

<i>Consolidated - current period</i>				
	Before tax \$A'000 (a)	Related tax \$A'000 (b)	Related outside + equity interests \$A'000 (c)	Amount (after tax) attributable to members \$A'000 (d)
2.1 Amortisation of goodwill				
2.2 Amortisation of other intangibles				
2.3 Total amortisation of intangibles				
2.4 Extraordinary items (details)				
2.5 Total extraordinary items				

Comparison of half year profits

(Preliminary final report only)

	Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)	(343)	(596)
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	(482)	(474)

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets			
4.1 Cash	1,059	361	334
4.2 Receivables	225	324	353
4.3 Investments	3	9	8
4.4 Inventories	374	293	317
4.5 Tax assets	0	0	0
4.6 Other (provide details if material)	0	0	0
4.7 Total current assets	1,661	987	1,012
Non-current assets			
4.8 Receivables	0	0	0
4.9 Investments (equity accounted)	0	0	0
4.10 Other investments	806	764	764
4.11 Inventories	0	0	0
4.12 Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	578	650	614
4.13 Development properties (+ mining entities)			0
4.14 Other property, plant and equipment (net)	703	890	786
4.15 Intangibles (net)	0	0	0
4.16 Tax assets	0	0	0
4.17 Other (provide details if material)	281	295	288
4.18 Total non-current assets	2,368	2,599	2,452
4.19 Total assets	4,029	3,586	3,464
Current liabilities			
4.20 Payables	611	680	701
4.21 Interest bearing liabilities	1,191	357	517
4.22 Tax liabilities	0	0	0
4.23 Provisions exc. tax liabilities	70	69	71
4.24 Other (provide details if material)	0	0	0
4.25 Total current liabilities	1,872	1,106	1,289
Non-current liabilities			
4.26 Payables	0	0	0
4.27 Interest bearing liabilities	163	1,061	857
4.28 Tax liabilities	0	0	0
4.29 Provisions exc. tax liabilities	9	6	6
4.30 Other (provide details if material)	0	0	0
4.31 Total non-current liabilities	172	1,067	863

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position continued

4.32	Total liabilities	2,044	2,173	2,152
4.33	Net assets	1,985	1,413	1,312
	Equity			
4.34	Capital/contributed equity	16,085	14,688	14,930
4.35	Reserves	199	199	199
4.36	Retained profits (accumulated losses)	(14,299)	(13,474)	(13,817)
4.37	Equity attributable to members of the parent entity	1,985	1,413	1,312
4.38	Outside [†] equity interests in controlled entities	0	0	0
4.39	Total equity	1,985	1,413	1,312
4.40	Preference capital included as part of 4.37			

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period \$A'000	Previous corresponding period - \$A'000
5.1 Opening balance	650	722
5.2 Expenditure incurred during current period	0	0
5.3 Expenditure written off during current period	72	72
5.4 Acquisitions, disposals, revaluation increments, etc.	0	0
5.5 Expenditure transferred to Development Properties	0	0
5.6 Closing balance as shown in the consolidated balance sheet (item 4.12)	578	650

Development properties

(To be completed only by entities with mining interests if amounts are material)

+ See chapter 19 for defined terms.

	Current period \$A'000	Previous corresponding period - \$A'000
6.1 Opening balance		
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.13)		

Condensed consolidated statement of cash flows

	Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
7.1 Receipts from customers	1,467	1,694
7.2 Payments to suppliers and employees	(1,873)	(2,365)
7.3 Dividends received from associates	0	0
7.4 Other dividends received	0	0
7.5 Interest and other items of similar nature received	10	16
7.6 Interest and other costs of finance paid	(135)	(147)
7.7 Income taxes paid	0	0
7.8 Other (provide details if material)		20
7.9 Net operating cash flows	(531)	(782)
Cash flows related to investing activities		
7.10 Payment for purchases of property, plant and equipment	(38)	(64)
7.11 Proceeds from sale of property, plant and equipment	34	0
7.12 Payment for purchases of equity investments	(100)	(675)
7.13 Proceeds from sale of equity investments	0	0
7.14 Loans to other entities	0	0
7.15 Loans repaid by other entities	0	0
7.16 Other (provide details if material)	0	0
7.17 Net investing cash flows	(104)	(739)

+ See chapter 19 for defined terms.

	Cash flows related to financing activities		
7.18	Proceeds from issues of + securities (shares, options, etc.)	1,397	1,254
7.19	Proceeds from borrowings	0	532
7.20	Repayment of borrowings	(64)	(65)
7.21	Dividends paid	0	0
7.22	Other (provide details if material)	0	0
7.23	Net financing cash flows	1,333	1,721
7.24	Net increase (decrease) in cash held	698	200
7.25	Cash at beginning of period <i>(see Reconciliation of cash)</i>	361	161
7.26	Exchange rate adjustments to item 7.25.		
7.27	Cash at end of period <i>(see Reconciliation of cash)</i>	1,059	361

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

--

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period \$A'000	Previous corresponding period - \$A'000
8.1	Cash on hand and at bank	1,059	361
		0	0
8.2	Deposits at call	0	0
8.3	Bank overdraft	0	0
8.4	Other (provide details)	0	0
8.5	Total cash at end of period (item 7.27)	1,059	361

Other notes to the condensed financial statements

Ratios

		Current period	Previous corresponding period
9.1	Profit before tax / revenue		
	Consolidated profit (loss) from ordinary activities before tax <i>(item 1.5)</i> as a percentage of revenue <i>(item 1.1)</i>	(56%)	(62%)

+ See chapter 19 for defined terms.

9.2	Profit after tax / ⁺equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (<i>item 1.11</i>) as a percentage of equity (similarly attributable) at the end of the period (<i>item 4.37</i>)	(42%)	(76%)
-----	---	-------	-------

⁺ See chapter 19 for defined terms.

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share - 35,312,819 ordinary shares.

Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share - 35,312,819 ordinary shares.

NTA backing <i>(see note 7)</i>	Current period	Previous corresponding period
11.1 Net tangible asset backing per ⁺ ordinary security	5cents	4 cents

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

Nil

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	Nil
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	\$
13.3 Date from which such profit has been calculated	
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$

+ See chapter 19 for defined terms.

Loss of control of entities having material effect

14.1	Name of entity (or group of entities)	Nil
14.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
14.3	Date to which the profit (loss) in item 14.2 has been calculated	
14.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
14.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHES approved)	
15.3	If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	€	€	€
15.5	Previous year	€	€	€
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	€	€	€

+ See chapter 19 for defined terms.

15.7	Previous year	¢	¢	¢
------	---------------	---	---	---

Total dividend (distribution) per security (interim *plus* final)

(Preliminary final report only)

	Current year	Previous year
15.8 +Ordinary securities	¢	¢
15.9 Preference + securities	¢	¢

**Half yearly report - interim dividend (distribution) on all securities *or*
Preliminary final report - final dividend (distribution) on all securities**

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities (<i>each class separately</i>)		
15.11 Preference + securities (<i>each class separately</i>)		
15.12 Other equity instruments (<i>each class separately</i>)		
15.13 Total		

The + dividend or distribution plans shown below are in operation.

The last date(s) for receipt of election notices for the + dividend or distribution plans

Any other disclosures in relation to dividends (distributions). (*For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting*)

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':

Current period \$A'000	Previous corresponding period - \$A'000

+ See chapter 19 for defined terms.

16.1 Profit (loss) from ordinary activities before tax		
16.2 Income tax on ordinary activities		
16.3 Profit (loss) from ordinary activities after tax		
16.4 Extraordinary items net of tax		
16.5 Net profit (loss)		
16.6 Adjustments		
16.7 Share of net profit (loss) of associates and joint venture entities		

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
17.1 Equity accounted associates and joint venture entities				
17.2 Total				
17.3 Other material interests				
Waste Technologies of Australia P/L From 12/06/02	4%	3%	0	0
17.4 Total				

+ See chapter 19 for defined terms.

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of ⁺ securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference ⁺ securities (description)				
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
18.3 ⁺ Ordinary securities	44,140,187	44,140,187		
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	1,672,414 5,279,737 2,665,627	1,672,414 5,279,737 2,665,627	14.5cents 13.63cents 16.5cents	14.5cents 13.63cents 16.5cents
18.5 ⁺ Convertible debt securities (description and conversion factor)	Convertible Loan for \$1,168,000. Conversion price is 25cents per share. Convertible Loan for \$150,000. Conversion price is 15cents per share.			
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

18.7 Options (description and conversion factor)			Exercise price	Expiry date
	1720000	0	\$0.75	1/5/04
	4080000	0	\$0.3	30/6/06
	3060000	0	\$0.4	30/6/06
	3060000	0	\$0.5	30/6/06
	2347100	0	\$0.3	14/9/06
18.8 Issued during current period		0		
		0		
18.9 Exercised during current period				
18.10 Expired/cancelled during current period	517500	0	\$0.5	31/10/02
	625000	0	\$0.75	30/6/03
	600000	0	\$0.4	14/9/06
	400000	0	\$0.5	14/9/06
18.11 Debentures (description)				
18.12 Changes during current period				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
18.13 Unsecured notes (description)				
18.14 Changes during current period				
(a) Increases through issues				
(b) Decreases through securities matured, converted				

Segment reporting

The company's principal activity is the development and commercial exploitation of a natural zeolite deposit and the development of zeolite based technologies predominantly in Australia.

Comments by directors

Refer attached letter

+ See chapter 19 for defined terms.

Basis of financial report preparation

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report is a general purpose financial report, which has been prepared in accordance with applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. It is prepared in accordance with the historical cost convention.

The accounting policies adopted are consistent with those of the previous year. The financial report has been prepared on the going concern basis.

(b) Employee Entitlements

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and the benefits are capable of being measured reliably.

(c) Mining Interests

Acquisition, exploration and evaluation expenditure is accumulated for each separate area of interest. Expenditure of a general nature which is not related to any specific area of interest is written off as incurred.

Accumulated expenditure is carried forward in respect of those areas of interest in which:

- (i) rights of tenure are current;
- (ii) exploration and evaluation procedures are not sufficient to permit reasonable assessment; and
- (iii) there is a possibility that such expenditure may be recouped by successful development and exploitation of the area or by its sale.

Accumulated expenditure in respect of those areas which do not satisfy the above criteria is written off as abandoned in the year such decision is made.

The accumulated costs for the Zeolite area of interest are being amortised over a period of 20 years being the minimum period of time for which extractive operations in the area of interest are anticipated to continue.

A review of each area of interest has been undertaken by the directors at the year end to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(d) Joint Ventures

The Company's share of the assets, liabilities, revenue and expenses of Joint Venture operations is included in the appropriate item class of the Statement of Financial Position and Statement of Financial Performance.

(e) Investments

A review of investments has been undertaken by the directors at the year end to determine the appropriateness of the carrying value. Any permanent diminutions in value have been provided for in the Statement of Financial Performance.

(f) Property, Plant and Equipment

Depreciation is calculated on a straight line basis so as to write off the cost of each item of plant and equipment, other than land, during its expected useful life. The carrying amount of non-current assets is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of

+ See chapter 19 for defined terms.

non-discounted expected net cash flows received from the assets' deployment and subsequent disposal. The expected useful lives are as follows:

Plant and equipment 5-10 years

(g) Income Tax

The Company adopts the liability method tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the pre-tax accounting profit adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of pre-tax accounting profit and taxable income are recognised as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not recognised unless realisation of the asset is assured beyond reasonable doubt.

The amount of benefits recognised or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(h) Cash

Cash assets includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first in first out basis, which is the most appropriate valuation basis. The cost of mining stocks includes direct material, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

(j) ZELflocc Development Expenditure

Certain expenditure incurred in prior years, in relation to the research and development of the ZELflocc technology, had been capitalised.

The expenditure is being amortised over a period of 20 years, being the minimum period of time for which economic benefits will accrue from the research and development of ZELflocc technology.

A review of the carrying value of ZELflocc Development costs is undertaken by the directors at the end of each financial year to determine the appropriateness of continuing to carry forward this expenditure.

(k) Going Concern

The company incurred a loss for the year ended 30 June 2003 of \$825,451 (2002: \$1,070,199) bringing the accumulated losses of the company to \$14,299,188. The company's revenue from the sales of its zeolite range of products has been insufficient to service its debt obligations and other running expenses. As a result, the operations of the company for the year ended 30 June 2003 were funded out of the proceeds of share issues and the support of creditors and financiers.

The directors are confident the company with the continued support of shareholders, creditors and financiers, will develop the revenue from its Zeolite range of products in order to satisfy all contractual and other financial obligations.

+ See chapter 19 for defined terms.

In the event that such continued financial support is not obtained, there is significant uncertainty as to whether it will be able to continue as a going concern, and it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

(I) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

- 19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Refer attached letter

- 19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Nil

- 19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Nil

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

Nil

+ See chapter 19 for defined terms.

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

Nil

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

Nil

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

20.2 A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- initial service charges
- management fees
- other fees

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

To be advised

Date

November 2003

Time

Approximate date the +annual report will be available

Mid October 2003

Compliance statement

+ See chapter 19 for defined terms.

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

- 2 This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.

- 3 This report does give a true and fair view of the matters disclosed (see note 2).

- 4 This report is based on ⁺accounts to which one of the following applies.

(Tick one)

The ⁺accounts have been audited.

The ⁺accounts have been subject to review.

X

The ⁺accounts are in the process of being audited or subject to review.

The ⁺accounts have *not* yet been audited or reviewed.

- 5 If the audit report or review by the auditor is not attached, details of any qualifications are will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)

- 6 The entity has formally constituted audit committee.

Sign here: Date: 12/9/2003
(Director/Company Secretary)

Print name: Ian Wallace - Secretary

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.

3. **Condensed consolidated statement of financial performance**

Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in AASB 1004: Revenue, and AASB 1018: Statement of Financial Performance.

+ See chapter 19 for defined terms.

- Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.
5. **Condensed consolidated statement of financial position**
- Format** The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.
- Basis of revaluation** If there has been a material revaluation of non-current assets (including investments) since the last annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A'000 headings must be amended.
10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an

⁺ See chapter 19 for defined terms.

Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.

11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the ⁺ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the ⁺ASIC, must be given to ASX.
12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
15. **Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their ⁺accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

Relevant Items *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term "relevance" is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

16. **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. DISCONTINUING OPERATIONS

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

+ See chapter 19 for defined terms.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

18. **Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

+ See chapter 19 for defined terms.