

SUPERSORB ENVIRONMENTAL NL

(A.C.N. 060 352 990)

INTERIM FINANCIAL REPORT

**FOR THE HALF YEAR TO
31ST DECEMBER 2002**

SuperSorb
environmental
tomorrows technology today

TABLE OF CONTENTS

Directors' Report	2
Statement of Financial Performance	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Directors Declaration	9
Independent Review Report	10

DIRECTORS' REPORT

The Directors present their Report together with the Interim Financial Statements for the half-year ended 31st December 2002.

Directors

The names of the Directors of the Company whom held office during or since the end of the half year are:

Bradley Wade Sounness
Martin James Shuttleworth
Anthony Nigel Parry
Laurie Trott
Steven Douglas
Philip Mellon
Christopher Brampton

The Directors whom hold office at the date of this report are Mr Bradley Sounness, Mr Martin Shuttleworth and Mr Anthony Parry. As disclosed in the Annual Report and subsequent circulars to shareholders a number of Board changes occurred during the period under review.

Mr Laurie Trott and Mr Steven Douglas resigned from their positions on 22 November 2002.

Mr Philip Mellon and Mr Christopher Brampton were appointed as interim Directors on 27 November 2002 and subsequently resigned on 23 December 2002 following the appointment of Messrs Sounness and Shuttleworth.

Results of Operations

The consolidated operating loss after income tax attributable to members of the Company, for the half-year ended 31st December 2002 was \$ 1,314,363 (2001 \$1,479,592). The result for the period was effected by expenditure incurred as a result of the appointment of Receiver Managers and Administrators and these costs amounting to \$ 1,146,198 are disclosed in the financial report as an extraordinary loss.

Review of Operations

The key factors that affected the trading performance of the Economic Entity during the six month period and were the main contributing factors to the result were :

- The appointment of Receiver Managers (Taylor Woodings) by the group's financier National Australia Bank on 8th August 2002.
- The appointment of Voluntary Administrators (Bird Cameron) by the Board of Directors prior to the discharge of the Receiver Manager on 16 September 2002.
- Increased pet litter sales due to the regaining of some market share in the generic sector.

Outlook for the Second Half

Trading outlook

The Economic Entity is now in a substantially stronger trading position relative to the previous financial year with improved revenue levels and a significantly reduced underlying cost base. The Directors can now focus on consolidating gains in operating efficiencies, improving of margins through pricing negotiations, and in re-establishing sales growth strategies.

We are now implementing programs for re-establishing proprietary brands in pet litter and more focussed development programs for priority Activated Zeolite environmental products in the feed additive

and horticulture sectors. These programs are aimed at re-establishing a trend in revenue growth in the next six months and in increasing the average gross margins on our sales.

Early indications based on trading performance for the March 2003 quarter indicate that a significant improvement has been achieved. Gross operating margins have improved which provides confirmation that the cost factors detailed above are largely once-off and the operating and overhead cost savings are beginning to have effect.

Profit outlook

The combination of an improvement in margins already achieved, and increased revenues generated from sales and marketing initiatives, are forecast to generate improved trading in the second half of the 2003 financial year.

Events Subsequent to Balance Date

A General Meeting of Shareholders held in Albany on 18 March 2003 approved the issue of new shares to the entities that provided loan capital to the Company thereby extinguishing the convertible component of loans outstanding to these parties. The issue of new shares to these entities has resulted in the number of fully paid ordinary shares increasing from 183,710,503 to 667,539,082.

All conditions for completion of the Deed of Company Arrangement have now been met, and subject to the satisfactory conclusion of legal proceedings as outlined in Note 6 to the Interim Financial Report the Deed can be finalised. Once the Deed of Company Arrangement has been finalised, the Company will be in a position to take steps to seek approval from the ASX for the lifting of the trading suspension of the Company's shares.

Directors' Resolution

This report is made in accordance with a resolution of the Directors.

M. SHUTTLEWORTH
Director

T.PARRY
Director

Signed in Albany, Western Australia this 7th day of May 2003.

STATEMENT OF FINANCIAL PERFORMANCE For the Half Year ended 31st December 2002

	Consolidated Entity 31 December 2002 \$	Consolidated Entity 31 December 2001 \$
Revenue from the sale of goods	5,085,829	4,182,250
Other revenue from ordinary activities	136,350	31,938
Total revenue	5,222,179	4,214,188
Cost of sales	3,890,229	3,899,160
Selling and promotional expense	114,980	235,070
Administration	871,620	1,012,883
Total operating expense	4,876,829	5,147,113
Operating profit (loss) from ordinary activities before borrowing costs, tax, depreciation and amortisation	345,350	(932,925)
Depreciation and amortisation	365,254	348,181
Profit (loss) before borrowing costs and related income tax	(19,904)	(1,281,106)
Borrowing costs	148,260	198,486
Operating profit (loss) from ordinary activities before related income tax expense	(168,164)	(1,479,592)
Income tax relating to ordinary activities	-	-
Operating profit (loss) from ordinary activities after related income tax expense	(168,164)	(1,479,592)
Profit / Loss) from extraordinary item after related income tax expense	4 (1,146,198)	-
Net profit (loss)	(1,314,363)	(1,479,592)
Basic earnings per share	(0.71) cents	(1.02) cents

The Statement of Financial Performance should be read in conjunction with the notes to the Financial Statements.

STATEMENT OF FINANCIAL POSITION As at 31st December 2002

	Note	Consolidated Entity 31 December 2002 \$	Consolidated Entity 30 June 2002 \$
Current Assets			
Cash		368,981	84,667
Receivables		2,278,435	508,734
Inventory		1,177,438	1,242,822
Other		83,702	132,574
Total Current Assets		3,908,556	1,968,797
Non-Current Assets			
Exploration & development		50,000	50,000
Plant & equipment		6,443,206	6,651,546
Intangibles		1,024,659	1,056,432
Other		257,383	307,539
Total Non-Current Assets		7,775,248	8,065,517
TOTAL ASSETS		11,683,804	10,034,314
Current Liabilities			
Payables		2,455,384	2,064,967
Provisions		268,940	253,208
Interest bearing liabilities		494,833	2,464,357
Total Current Liabilities		3,219,157	4,782,532
Non-Current Liabilities			
Payables	5	1,598,982	-
Interest bearing liabilities	5	3,636,312	903,066
Provisions		30,931	30,931
Total Non-Current Liabilities		5,266,225	933,997
TOTAL LIABILITIES		8,485,382	5,716,529
NET ASSETS		3,198,422	4,317,785
Shareholders' Equity			
Share capital		15,298,589	15,103,589
Accumulated losses		(12,100,167)	(10,785,804)
TOTAL SHAREHOLDERS' EQUITY		3,198,422	4,317,785

The Statement of Financial Position should be read in conjunction with the notes to the Financial Statements.

STATEMENT OF CASH FLOWS

For the Half Year ended 31st December 2001

	Consolidated Entity 31 December 2002 \$	Consolidated Entity 31 December 2001 \$
Cash Flows Related to Operating Activities		
Cash receipts in the course of operations	5,084,848	4,254,826
Cash payments in the course of operations	(3,514,015)	(5,336,899)
Expenditure on mining tenements	-	-
Interest received	5,220	6,600
Interest paid	(55,150)	(198,486)
Net operating cash flows	1,520,903	(1,273,959)
Cash Flows Related to Investing Activities		
Payments for deferred expenditure	-	(88,897)
Proceeds from sale of mining tenements	60,000	-
Payments for plant and equipment	(125,142)	(568,164)
Net investing cash flows	(65,142)	(657,061)
Cash Flows Related to Financing Activities		
Net Proceeds from share issue	-	2,192,510
Secured loans from related parties	2,349,360	-
Payments associated with Receiver Managers and Administrators	(639,574)	-
Repayments on borrowings:		
Other loans	(1,375)	(2,750)
Hire purchase	(197,373)	(109,985)
Bank facility	(2,682,485)	-
Net financing cash flows	(1,171,447)	2,079,775
Net increase/(decrease) in cash	284,314	148,755
Cash at beginning of the period	84,667	33,467
Cash at end of the period	368,981	182,222

The Statement of Cash Flows should be read in conjunction with the notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS For the Half Year ended 31st December 2002

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

The half-year consolidated Interim Financial Report is a general purpose financial report made out in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: "Interim Financial Reporting", Urgent Issue Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that the Interim Financial Report be read in conjunction with the 30 June 2002 Annual Financial Statements and any public announcements made by Supersorb Environmental NL during the half-year ended 31 December 2002 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the Economic Entity and are consistent with those applied in the 30 June 2002 Annual Report.

The half-year Interim Financial Report does not include full note disclosures of a type normally included in an Annual Financial Report.

NOTE 2. NON CASH FINANCING AND INVESTING ACTIVITIES

There were no significant transactions or events during the half-year, which affected assets and liabilities and did not result in cash flows.

NOTE 3. SEGMENT REPORTING

During the half year to 31 December 2002, the Economic entity operated an absorbent minerals business in one geographical location.

NOTE 4. EXTRAORDINARY ITEM

During the half year to 31 December 2002, the Company's wholly owned subsidiary Supersorb Minerals NL (SMNL) was unable to negotiate the ongoing support from its then principal financier National Australia Bank, and on 8 August 2002 Receivers and Managers were appointed. The Directors placed SMNL into Voluntary Administration on 16 August 2002. Subsequently alternate funding was secured and the Receivers and Managers were discharged. A Deed of Company Arrangement was approved by creditors of SMNL on 19 December 2002. The considerable expense incurred by the Company from the Receivers and Managers, the Administrators, allied professional fees, legal fees, valuation fees and operational restructuring costs are summarised in the item set out below.

	Consolidated Entity 31 December 2002 \$	Consolidated Entity 31 December 2001 \$
Receiver Managers and Administrators non recurring expenditure	1,146,198	-

There is no income tax effect resulting from this item.

NOTE 5. SUBSEQUENT EVENTS

A General Meeting of Shareholders held in Albany on 18 March 2003 approved the issue of new shares to the entities that provided loan capital to the Company thereby extinguishing the convertible component of loans outstanding to these parties. The issue of new shares to these entities has resulted in the number of fully paid ordinary shares increasing from 183,710,503 to 667,539,082.

This share issue has a significant impact on the Statement of Financial Position at 31 December 2002. The issue, together with the Deed of Company Arrangement will result in some liabilities either being forgiven or extinguished subsequent to balance date. To enable a better analysis of the economic entities working capital position these amounts have been disclosed as non current.

Payables (non current)

This amount represents an estimate of the Creditors which are subject to the Deed of Company Arrangement. The Administrators are still finalising amounts owing from individual Creditors and therefore this number will vary.

Interest Bearing Liabilities (non current)

A portion of this amount \$ 2,727,698 represents the funding (principal plus interest) provided by shareholders and new financiers which was converted to equity in March 2003 following the Company's General Meeting. The balance represents the non current portion of hire purchase contracts.

NOTE 6. CONTINGENT LIABILITIES

The holder of the land and mining lease on which the Company's Mt Barker operations are located has:

- (a) commenced proceedings in the WA Supreme Court seeking orders declaring that the DOCA is void, that the DOCA be terminated or that the DOCA administrators be removed;
- (b) obtained leave of the WA Supreme Court to commence proceedings seeking, among other things, a declaration that the Tribute Agreement under which the Company's Mt Barker operations are conducted has been terminated and orders for possession of the land the subject of the Company's Mt Barker operations;
- (c) commenced proceedings in the Warden's Court seeking orders in relation to the mining lease and the Tribute Agreement under which the Company's Mt Barker operations are conducted, including that the Company provide the mining lease holder with certain information.

The Company intends to defend these proceedings and will take all necessary action to protect its interests. The Company will continue to operate its Mt Barker operations whilst these proceedings are defended.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. (a) the consolidated Interim Financial Statements and accompanying notes have been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations;

(b) the consolidated Interim Financial Statements and notes thereto give a true and fair view of the financial position and performance of the Consolidated Entity for the financial period ending 31 December 2002;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and signed for and on behalf of the Directors by:

M. SHUTTLEWORTH
Director

T.PARRY
Director

Dated this 7th day of May 2003.
Albany, Western Australia

INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF SUPERSORB ENVIROMENTAL NL

Scope

We have reviewed the financial report of Supersorb Environmental NL for the half-year ended 31 December 2002 as set out on pages 4 to 9. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company'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 company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all 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 matter that makes us believe that the half-year financial report of Supersorb Environmental NL is not in accordance with:

- (a) the Corporations Act, 2001, including:
 - (i) giving a true and fair view of the company's financial position at 31 December, 2002 and of 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; and
- (b) other mandatory professional reporting requirements in Australia.

Dated at West Perth this 7th day of May, 2003.

**K. WESTAWAY
PRINCIPAL**

**K. WESTAWAY & ASSOCIATES
CHARTERED ACCOUNTANTS**