

7 September 2001

Wellington Drive has reported a loss before tax in the 2001 financial year of \$2.07M. This is in line with the loss of \$1.94M projected in the Listing Profile dated 12 December 2000.

Royalties of \$0.19M made up the bulk of operating revenues of \$0.32M received during the year. As detailed in the Listing Profile, overheads increased with the appointment of sales and marketing personnel and a high level of sales and marketing activity in Europe and the United States. Expenses at \$2.46M were close to projections.

Wellington Drive is focusing on new licensees who have a high degree of internal capability and strong positions in premium market segments in Europe and the United States. Licence negotiations are well advanced with selected organizations in both regions, although, as yet, only a small number of the potential prospects have been approached. Notable progress has been made with prospects in the United States, Italy (which dominates the production and supply of motors and appliances in Europe), Germany, Switzerland and the United Kingdom. Enquiries are running at a sustained high level. Eight product modification and test programmes were completed between February and the end of June.

Slow progress has continued at existing licensees in the United States. Torrington Research Corporation (TRC) is producing small batches of motors for use in frozen cocktail machines. TRC is also producing motors in small numbers for other customers. SHURflo Pump Manufacturing Company Incorporated has completed development of a motor for heavy truck air conditioning. Field trials of the unit are continuing.

The Company's joint venture in Melbourne, Australia, received a launch order in late 2000 for RF200 motors to be used in evaporative coolers. There have been delays in satisfying this order, due to detail issues relating to the customer's product, and a late change to some material specifications. Samples of the RF200 have been delivered to several companies in the United States, South Africa, Australia and New Zealand.

Steady progress is being made towards the conclusion of new licence arrangements. As noted in the Listing Profile, the Company's revenue flow at this stage of its development is dependent on discrete events, particularly the agreement of new licences, the timing of which is difficult to predict.

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