

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of  
International Briquettes Holding (IBH)

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of International Briquettes Holding (IBH) and its subsidiaries at September 30, 2001 and 2000, and the results of their operations and cash flows for each of the three fiscal years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements is the responsibility of IBH's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

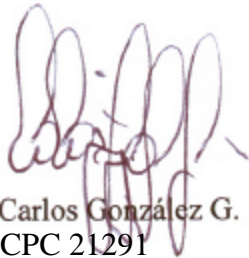
As indicated in Note 4, IBH belongs to a group of related companies and conducts significant transactions with other members of the group. Because of those relationships, these transactions may have taken place on terms other than those that would characterize transactions between unrelated companies.

As indicated in Note 7, IBH and its subsidiary Venezolana de Prerreducidos Caroní "Venprecar," have provided a security package for a portion of a long-term loan received by the affiliate Orinoco Iron. At September 30, 2001, the portion secured by IBH and Venprecar amounts to US\$329 million. In 2001 Orinoco Iron has been unable to comply with the terms of payment and certain covenants of this loan agreement. Consequently, the balance of this loan may be considered by creditor banks as due and payable. Orinoco Iron and IBH are currently negotiating with creditor banks to restructure the outstanding loan balance. To date, we are unable to foresee the outcome of this matter and its likely effect, if any, on the accompanying consolidated financial statements.

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As indicated in Notes 1 and 7, the worldwide drop in iron prices and the delays in putting the new plant of Orinoco Iron into operation and delays in the buildup of production, have adversely affected the results of operations and financial position of IBH and its affiliates Orinoco Iron and Operaciones RDI, which are part of a Joint Venture (Joint Venture) between IBH and Broken Hill Proprietary (BHP). In March 2001, BHP announced that it would write off its equity investment in Orinoco Iron and cease any further investment in this project. These factors, the need for additional funding and the loan issue indicated in the previous paragraph, raise substantial doubts as to the capacity of IBH and its affiliates to continue as going concerns. Management of IBH and its affiliate Orinoco Iron are currently assessing the possibility of obtaining additional funding and a significant reduction of Orinoco Iron debt. The accompanying consolidated financial statements, as well as those used by IBH to record its equity participation in the affiliates of the Joint Venture, have been prepared on the basis of a going concern and do not include adjustments that may arise when the referred uncertainties are resolved.

ESPIÑEIRA, SHELDON Y ASOCIADOS  
(A member firm of PricewaterhouseCoopers)



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Caracas, Venezuela  
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