



## COMPANY ANNOUNCEMENT

Immediate Release

28 February, 2011

[ASX: EVM](#)

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### HALF YEARLY REPORT & HALF YEAR FINANCIAL REPORT

EnviroMission's half yearly report and half year financial report for the period ending 31 December 2010 follows.

Ends.

A handwritten signature in black ink, appearing to read 'R. Davey', with a long horizontal flourish extending to the right.

Roger C. Davey  
Executive Director  
EnviroMission Limited

Shareholder Enquiries to:  
Ms Kim Forte  
General Manager, Communications  
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**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**A.C.N. 094 963 238**

**HALF YEAR REPORT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2010**

**(Previous Corresponding Period: Half year ended 31 December 2009)**

**Results for announcement to the market.**

Revenues from ordinary activities	Up	214,371%	to	\$ 107,236
Loss from ordinary activities after tax attributable to members	Down	25%	to	(743,016)
Net loss for the period attributable to members	Down	25%	to	(743,016)

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	0 ¢	0 ¢
Previous corresponding period	0 ¢	0 ¢
Record date for determining entitlements to the dividend	N/A	

Brief explanation necessary to enable the figures above to be understood:

Refer to the Review of Operations within the Directors Report for an explanation of the results

**Net Tangible Assets per Security\***

Net tangible assets per security (with the comparative figures for the previous corresponding period):

	Current period	Previous corresponding period
Net tangible assets security	(0.52 cents)	(0.64 cents)

**ENVIROMISSION LIMITED AND CONTROLLED  
ENTITIES**

A.C.N. 094 963 238

**FINANCIAL REPORT**

**HALF YEAR ENDED 31 DECEMBER 2010**

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**A.C.N. 094 963 238**

**DIRECTORS' REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

The Board of Directors of EnviroMission Limited have pleasure in submitting the financial report of the consolidated group for the half year ended 31 December 2010.

**DIRECTORS**

The names and particulars of the Directors of EnviroMission Limited in office at any time during or since the end of the period:

**Roger Chalmers Davey**

B.Bus, CPA, CFTP

**Executive Chairman & Chief Executive Officer**

Director since 31 July 2001

**David Norman Galbally QC**

B Juris LLB

**Non-Executive Director**

Director since 22 April 2005

**Guoxiang Ma**

**Non-Executive Director**

Director since 8 June 2004, removed 29 November 2010

**Yue Tang**

**Alternate Director for Guoxiang Ma**

Director since 8 June 2004, removed 29 November 2010

**RESULTS AND REVIEW OF OPERATIONS**

**FINANCIAL**

Net loss from ordinary activities was \$743,016 (2009: Net loss \$995,992) and expenditures during the half year were consistent with expectations.

**OPERATIONAL OVERVIEW**

EnviroMission is pleased to report key milestones and outcomes achieved over the last half year of operations that indicate positive progress towards EnviroMission's intent to commercialize the Australian Solar Tower concept in the United States.

Solar Tower commercialisation in the United States is supported by a development team at EnviroMission (USA), Inc; EnviroMission (USA) Inc is a Phoenix based 100% owned subsidiary of EnviroMission Limited.

The Phoenix office is well located to service EnviroMission's Solar Tower development objectives in the northwest region of Arizona.

EnviroMission (USA), Inc provides time critical management interface with stakeholders in the United States for EnviroMission Limited.

**Power Purchase Agreement Achieved**

EnviroMission successfully secured a Power Purchase Agreement (PPA) to sell electricity from the first of two 200MW Solar Tower power stations that are planned for development in Arizona to the Southern California Public Power Authority (SCPPA), ie SCPPA will be EnviroMission's first customer.

Securing a PPA is a significant milestone for power generators – A PPA provides certainty and detail to the financial model and is a critical aspect of commerciality that informs an overall project development decision.

**Executive Engineering Services Secured**

EnviroMission engaged the services of Arup, an internationally renowned independent firm designers, engineers, consultants and technical specialists that offer a broad range of professional services across building design, economics and planning, infrastructure design, management and project consulting, specialist technical services. Arup has been engaged by EnviroMission to provide the executive engineering services necessary to develop the Australian Solar Tower concept in the United States.

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
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**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Arup is currently working on site specific Front End Engineering and Design (FEED) for EnviroMission's first 200MW Solar Tower power station planned for development in Arizona to generate power for sale to the Southern California Public Power Authority.

Arup have completed a 'dynamic simulation' model to inform site specific design parameters. Arup is also in the process of identifying suitable contractors and suppliers to be involved with Solar Tower development.

**Regulatory Process Underway**

EnviroMission filed a notice of intent with the Arizona Power Plant and Transmission Line Siting Committee ('Line Siting Committee') that EnviroMission will soon file an application for a Certificate of Environmental Compatibility ("CEC") for a 400MW Solar Tower renewable energy power station development in Arizona.

The Certificate of Environmental Compatibility is a 'critical and all-encompassing' permit for power station development in the State of Arizona and is the primary first step in the power plant siting process.

**Technology Valued at AUD\$60M**

Solar Tower intellectual property, know-how and development rights currently owned and held by EnviroMission and its subsidiaries was independently valued by Acquity Technology Management, at AUD\$60M.

A relief from royalties approach was applied that took into account a probability adjusted net present value of likely future cash flows, based on revenue projections supported in the Power Purchase Agreement documentation with the Southern California Public Power Authority.

Consideration was also given to the prospects for further Solar Tower facilities based on an economic model that included perceived risks to successful commercial development with project financing discounted to present value using a discount rate based on Capital Asset Pricing Model.

This valuation represents an independent assessment of the value of EnviroMission's enhancements to Solar Tower technology that has resulted in new intellectual property, know how and commercial prospects, for example the recent Power Purchase Agreement to sell Solar Tower electricity to the Southern California Public Power Authority.

**Summary**

The Solar Tower development agenda has moved rapidly from strategy to delivery over the last half year of operations in the United States.

This is a major achievement given few large-scale solar technologies progress through to development regardless of the positive sentiment expressed globally for solar energy.

A hidden barrier to the development of many large-scale solar technologies that also tend to be high water users is a general lack of availability of water in regions with the greatest solar radiation gain.

Solar Tower technology is highly differentiated from all solar power station technologies because Solar Tower technology does not use water in the electricity generation method - EnviroMission has two land applications for power station development in Arizona's hot dry northwest.

The decision to develop Solar Tower technology in Arizona was further justified over the last half based on recent rule changes for power generators that were adopted by the Arizona Corporation Commission (ACC) and approved by the Arizona Attorney General (October, 2010).

All power station applications in Arizona are now required to provide an Integrated Resources Plan (IRP) for an open and comprehensive resource planning process in Arizona.

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
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**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Under the rules, power station development applications will now be required to quantify all environmental costs associated with power generation including all fuels and resources including water; water has not always been taken into account in the power station approval process.

Less than one percent of Arizona's electricity is currently generated from solar power despite Arizona having superior solar radiation gain.

Arizona's new rules are expected to favourably benefit EnviroMission's Solar Tower 'pipeline development' plans in Arizona based on the standout environmental benefits of EnviroMission's clean waterless solar powered electricity technology.

Strong support for EnviroMission's Solar Tower development plans in Arizona was expressed to EnviroMission's Chief Executive, Roger Davey, at development briefings attended in Arizona in December.

EnviroMission's development progress in Arizona was also highlighted in a positive, industry brief published in the US by Raymond James.

Raymond James is a leading US listed investment Bank, with extensive domestic and international investment banking and institutional sales and financial advice.

Raymond James referenced EnviroMission's 'flurry of progress in the US' and named Solar Tower technology as the 'third hybrid large-scale solar generation category'.

The rapid 'march to market' demonstrated in outcomes achieved over the last half represents two years of development focus in the United States that also benefited from the body of work undertaken for the Australia market.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration in relation to the review for the half year is provided with this report.

Signed in accordance with a resolution of the Board of Directors.



Roger C. Davey  
Executive Chairman  
Melbourne, 28th February 2011

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF ENVIROMISSION LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

*MSI Ragg Weir*

**MSI RAGG WEIR**  
Chartered Accountants

*L.S. Wong*

**L.S. WONG**  
Partner

Melbourne: 28 February 2011

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	Half year ended 31 December 2010 \$	Half year ended 31 December 2009 \$
<b>REVENUE</b>		<u>107,236</u>	<u>50</u>
Corporate costs		102,187	62,666
Employment costs		33,066	42,759
Contracting/consulting costs		463,066	394,014
Occupancy expense		41,424	40,597
Amortisation and depreciation		4,593	258,261
Other expenses		58,836	106,624
Foreign exchange loss		<u>147,080</u>	<u>91,121</u>
		<u>850,252</u>	<u>996,042</u>
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		(743,016)	(995,992)
Income tax expense		<u>-</u>	<u>-</u>
<b>NET LOSS AFTER INCOME TAX</b>		<u>(743,016)</u>	<u>(995,992)</u>
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<u>(743,016)</u>	<u>(995,992)</u>
Basic earnings per share (cents per share)		(0.23 cents)	(0.32 cents)
Diluted earnings per share (cents per share)		(0.20 cents)	(0.27 cents)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>LOSS FOR THE YEAR</b>		(743,016)	(995,992)
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translating foreign controlled entities		<u>346,789</u>	<u>123,051</u>
Other comprehensive income for the year, net of tax		<u>346,789</u>	<u>123,051</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>(396,227)</u></u>	<u><u>(872,941)</u></u>

**The above income statement is to be read in conjunction with the attached notes.**



**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

	Half year ended 31 December 2010	Half year ended 30 June 2010
	Note	\$
<b>CURRENT ASSETS</b>		
Cash assets	4,288	20,461
Trade and other receivables	28,403	39,701
<b>TOTAL CURRENT ASSETS</b>	<u>32,691</u>	<u>60,162</u>
<b>NON – CURRENT ASSETS</b>		
Property, plant and equipment	2,360	7,495
Other assets	8,653	8,241
Intangibles	<u>400,000</u>	<u>400,000</u>
<b>TOTAL NON - CURRENT ASSETS</b>	<u>411,013</u>	<u>415,736</u>
<b>TOTAL ASSETS</b>	<u>443,704</u>	<u>475,898</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,526,775	295,086
Borrowings	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,526,775</u>	<u>295,086</u>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	-	1,524,851
Borrowings	<u>239,095</u>	<u>263,186</u>
<b>TOTAL NON - CURRENT LIABILITIES</b>	<u>239,095</u>	<u>1,788,037</u>
<b>TOTAL LIABILITIES</b>	<u>1,765,870</u>	<u>2,083,123</u>
<b>NET ASSETS</b>	<u>(1,322,166)</u>	<u>(1,607,225)</u>
<b>EQUITY</b>		
Issued capital	30,896,320	30,215,034
Reserves	470,282	123,493
Accumulated losses	<u>(32,688,768)</u>	<u>(31,945,752)</u>
<b>TOTAL EQUITY</b>	<u>(1,322,166)</u>	<u>(1,607,225)</u>

**The above balance sheet is to be read in conjunction with the attached notes.**

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**Attributable to equity holders of the Company**

	<b>Issued Capital</b>	<b>Accumulated losses</b>	<b>Reserves</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance at 1st of July 2010</b>	30,215,034	(31,945,752)	123,493	(1,607,225)
<b>Loss for the period</b>	-	(743,016)	-	(743,016)
Share capital introduced	681,286	-	-	681,286
Exchange differences arising on translation of foreign operations	-	-	346,789	346,789
<b>Balance at 31st December 2010</b>	<b>30,896,320</b>	<b>(32,688,768)</b>	<b>470,282</b>	<b>(1,322,166)</b>
<b>Balance at 1st of July 2009</b>	29,355,492	(26,989,261)	76,135	2,442,366
<b>Loss for the period</b>	-	(995,992)	-	(995,992)
Share capital introduced	545,542	-	-	545,542
Exchange differences arising on translation of foreign operations	-	-	123,051	123,051
<b>Balance at 31st December 2009</b>	<b>29,901,034</b>	<b>(27,985,253)</b>	<b>199,186</b>	<b>2,114,967</b>

The above balance sheet is to be read in conjunction with the attached notes.

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	<b>Half year ended 31 December 2010</b>	<b>Half year ended 31 December 2009</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(456,666)	(530,114)
Interest received	1,440	50
Interest paid	-	(3,774)
Miscellaneous revenue	105,768	(51,240)
	<u>(349,457)</u>	<u>(585,078)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(1,030)
	<u>-</u>	<u>(1,030)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds/(costs) from issues of shares	310,491	545,542
Repayment of borrowings	24,091	(277)
	<u>334,582</u>	<u>545,265</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES		
NET INCREASE / (DECREASE) IN CASH HELD	(14,876)	(40,843)
Cash at beginning of period	20,461	47,035
Subtotal	<u>5,586</u>	<u>6,192</u>
Effects of exchange rate fluctuations on cash held	(1,298)	1,078
	<u>4,288</u>	<u>7,270</u>
<b>CASH AT THE END OF PERIOD</b>		

**The above balance sheet is to be read in conjunction with the attached notes.**

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2010 and any public announcements made by EnviroMission Ltd since 30 June 2010 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation**

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2010.

**(b) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which EnviroMission Ltd controlled during the period and at balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

**(c) Intangibles**

*License Rights*

EnviroMission, through the acquisition of SolarMission Technologies Inc (19 December 2008), its controlled entity, owns and controls the global Solar Tower development rights. EnviroMission formerly owned the exclusive Sub-License to build, own, operate and maintain one or more Solar Tower Power Stations within Australia. The terms of the global licence provides more benefit and opportunity to EnviroMission in terms of market access. A former sunset-clause that was never anticipated to be implemented has been removed from the licence.

The value of the license rights is dependent on the ability of the Company to generate income from the asset. No income has been earned from this asset to 31 December 2010.

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Intangibles (continued)**

*Intellectual Property*

During the half-year ended 31 December 2010 the directors believe the Company has made significant advances in developing the intellectual property associated with the license rights held by the Company. Further the directors sought and gained an independent valuation to value the intellectual property, know how and licences as they are currently owned by and held by the Company and its subsidiaries. The independent assessment placed a value of \$60,000,000 on the said intellectual property and development rights held through the global licence. The valuation was conducted using a relief from royalties approach that included a probability adjusted net present value of likely future cash flows, based on revenue projections supported by the Power Purchase Agreement signed with the Southern California Public Power Authority during the six months to 31 December 2010.

The value of the intellectual property and licences is dependent on the ability of the Company to generate income from the asset. No income has been earned from this asset to 31 December 2010 notwithstanding it has a contract to sell power to the Southern California Public Power Authority.

**NOTE 2 SUBSEQUENT EVENTS**

The Company received an independent valuation of the intellectual property held by the Company and secured a hybrid debt equity facility, details of which are disclosed in Note 1(c) and Note 5 respectively. There are no material events subsequent to the end of the half-year that have not been recognised in the half-year financial statements.

**NOTE 3 CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 December 2010 and there has been no change since 30 June 2010.

**NOTE 4 SEGMENT INFORMATION**

The principal business of the group is the development of Solar Tower technology on a global basis. Originally EnviroMission Limited had an exclusive licence to develop, build and or own, operate and maintain Solar Tower power stations within Australia, since the acquisition of SolarMission Technologies Inc in December 2008 EnviroMission now owns by majority control the global rights to develop Solar Tower power stations and has a geographic segment of operation in USA.

**a) Geographical segment**

<b>Segment revenue</b>	<b>Half year ended 31 December 2010</b>	<b>Half year ended 31 December 2009</b>
	\$	\$
USA	107,193	-
Australia	43	50
	<u>107,236</u>	<u>50</u>
<b>Segment results</b>		
USA	219,238	90,542
Australia	523,778	905,450
Loss	<u>743,016</u>	<u>995,992</u>
Unallocated expenses	-	-
Loss before income tax expense	<u>743,016</u>	<u>995,992</u>
Income tax expense	-	-
Net loss	<u><u>743,016</u></u>	<u><u>995,992</u></u>

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 4 SEGMENT INFORMATION (CONTINUED)**

**Segment assets, liabilities**

	Assets		Liabilities	
	Half year ended 31 December 2010	30 June 2010	ended 31 December	30 June 2010
	\$	\$	\$	\$
USA	24,408	31,599	2,003,927	2,137,940
Australia	419,296	444,299	(238,057)	(3,745,165)
Total of all segments	443,704	475,898	1,765,870	(1,607,225)

**NOTE 5 GOING CONCERN**

The Group has accumulated losses of \$ 32,688,768 and a net current asset deficiency of \$1,494,084 at 31 December 2010. Notwithstanding the above, the directors believe that the company will be successful in its future operations and has accordingly prepared the financial report on the going concern basis. The directors are of the opinion that no asset is likely to be realised for an amount less than that recorded in the financial report at 31 December 2010 and as such no adjustment have been made to the financial report relating to the recoverability of assets and classification of the assets and liabilities that might be necessary should the company not continue as a going concern.

In mid January 2011 the Company secured a \$30,000,000 hybrid debt/equity funding facility to assist with the Company's operations and in particular the commercialisation objectives for the Solar Tower power station development in Arizona. This funding agreement provides significant capital and ensures that the Company can meet its debts when they become due and payable.

The Directors believe that Company will be able to contain the continuing support from new and existing shareholders to fund its future operations.

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**Compliance Statement**

- 1 A financial report for the six months ended 31 December 2010 is provided with the Appendix 4D information.
- 2 The financial report has been prepared in accordance with Australian Accounting Standards.
- 3 The financial report and information provided in Appendix 4D uses the same accounting policies as those applied at 30 June 2010.
- 4 The Appendix 4D information gives a true and fair view of the matters disclosed in the half-year financial report.
- 5 The Appendix 4D information is based on the half-year financial report, which has been subject to independent review.



Sign here: .....  
(Director)

Date: 28th February 2011

Print name: Roger Davey

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES**  
**A.C.N. 094 963 238**

**DIRECTORS' DECLARATION**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

The directors declare that the financial statements and notes set out on pages 3 to 12 in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that EnviroMission Limited 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 directors.



Roger Davey  
Chief Executive Officer  
Executive Director

Melbourne  
28th February 2011



**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
ENVIROMISSION LIMITED**

We have reviewed the accompanying financial report of Enviromission Limited and controlled entities (the consolidated entity), which comprises the consolidated condensed statement of financial position as at 31 December 2010, and the consolidated condensed statement of comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

**Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including; giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Enviromission Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**Matters relating to electronic publication of the audited financial report**

This review report relates to the financial report of Enviromission Limited and controlled entities for the half year ended 31 December 2010 included in the website of Enviromission Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
ENVIROMISSION LIMITED**

**Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, was provided to the directors of Enviromission Limited at the same date of this auditor's review report.

**Auditor's opinion**

Based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Enviromission Limited and its controlled entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**Inherent Uncertainty regarding continuation as a Going Concern**

Without qualifying our opinion, we draw attention to Note 5 in the financial report which indicates that the consolidated group had an accumulated loss of \$32,688,768 at 31 December 2010 and as of that date current liabilities exceeded its current assets by \$1,494,084. These conditions along with the absence of any significant capital raised since the 1 January 2011 up to the date of this audit report, indicate the existence of a material uncertainty, which may cast significant doubts about the consolidated entity's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

*MSI Ragg Weir*

**MSI RAGG WEIR**  
Chartered Accountants

*L.S. Wong*

**L.S. WONG**  
Partner

Melbourne: 28 February 2011