

# EnviroMission

EnviroMission Limited

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COMPANY ANNOUNCEMENTS DIVISION

For Immediate Release

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## HALF YEARLY REPORT & HALF YEAR FINANCIAL REPORT

EnviroMission's half yearly report and half year financial report follows.

Ends.



Ian Riley  
Company Secretary  
Chief Financial Officer  
EnviroMission Limited

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## Appendix 4D

### ENVIROMISSION LIMITED

A.C.N. 094 963 238

#### Half Year Report Period Ended 31 December 2006

(Previous Corresponding Period: Half year ended 31 December 2005)

#### Results for announcement to the market

				\$
Revenues from ordinary activities	Down		to	101
Profit (loss) from ordinary activities after tax attributable to members	Down	24.9%	to	(778,266)
Net profit (loss) for the period attributable to members	Down	24.9%	to	(778,266)

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 figure for the previous corresponding period):

	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible assets security	(0.93) Cents	( 0.17) Cents

**ENVIROMISSION LIMITED**  
A.C.N. 094 963 238

**FINANCIAL REPORT**  
**HALF YEAR ENDED 31 DECEMBER 2006**

**ENVIROMISSION LIMITED**  
A.C.N. 094 963 238

**DIRECTORS' REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

The Board of Directors of EnviroMission Limited have pleasure in submitting the financial report of the Economic Entity for the half year ended 31 December 2006 and report as follows:

**DIRECTORS**

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

<b>Roger Chalmers Davey</b> B.Bus, CPA, CFTP	<b>Executive Chairman &amp; Chief Executive Officer</b> Director since 31 July 2001
<b>Geoffrey Max Parkinson</b>	<b>Non-Executive Director</b> Director since 2 November 2000
<b>David Norman Galbally QC</b> B Juris LLB	<b>Non-Executive Director</b> Director since 22 April 2005
<b>Guoxiang Ma</b>	<b>Non-Executive Director</b> Director since 8 June 2004
<b>Yue Tang</b>	<b>Alternate Director for Guoxiang Ma</b> Director since 8 June 2004

**RESULTS AND REVIEW OF OPERATIONS**

**FINANCIAL**

Net loss from ordinary activities was \$778,266, (2005: Net loss \$1,036,540) after amortisation of Solar Tower license rights of \$253,807.

Expenditures during the half year were consistent with expectations.

**OPERATIONAL OVERVIEW**

Operations over the period 1 July to 31 December, 2006 may best be summarised as being significantly and substantially affected by external forces that have required implementation of an alternate strategy with far reaching consequences to EnviroMission's commercialisation objectives.

Whilst resources dedicated to EnviroMission's application to the Federal Government's Low Emission's Technology Demonstration Fund (LETDF) held parallel development benefits as a natural consequence of ongoing Front End Engineering and Design (FEED), it fell short of meeting EnviroMission's expectation to win a grant to 'demonstrate' a 50MW Solar Tower in the Sunraysia region.

The decision to compete for a grant was made following an assessment of the LETDF merit criteria; EnviroMission believed Solar Tower technology could meet and exceed all merit criteria and milestones laid out in the LETDF deed of agreement (the terms of the success contract). Emphasis is given here to this point, to stress to shareholders that the decision to compete for an LETDF grant was based on a view that EnviroMission had strong prospects for success after successfully undergoing the preliminary applicant screening process designed to ensure only eligible applicants submitted to the scheme. In light of achieving 'eligible applicant' status it was decided that to *not apply* could potentially disadvantage EnviroMission by forfeiting the opportunity to compete for a 2:1 dollar grant that would provide a capital advantage to the first Solar Tower development.

The fallout from the first round of LETDF grant announcements has left no doubt about the Federal Government's agenda for 'clean coal' technology and a nuclear industry in Australia. This position has sent an alarming message to renewable energy developers, including EnviroMission, to now view all development decisions without expectation of government support in an environment that is shown to be clearly out of step with international markets that recognise the considerable role renewable energy can, will and must play in the energy mix in order to achieve energy independence and meet carbon abatement targets for clean air in the context of global concerns about climate change.

As a result of the LETDF outcome and emerging energy policy, EnviroMission shifted FEED emphasis from the capital constrained 50MW proposal to a broader optimisation strategy.

The 50MW LETDF proposal was strategically limited in scale by EnviroMission to limit the proposal's capital cost and increase the application's chance for success realising the fund's overall budget of \$500 million was slated for distribution over three rounds, ie a 200MW demonstration Solar Tower would have had an unrealistic capital cost for success in a 2:1 grant to capital cost equation.

EnviroMission's post LETDF operational focus has shifted to achieve an optimised scale and capital cost for the Sunraysia site that may also be applied to broader site analysis.

EnviroMission has also undertaken site and market optimisation analysis in tandem with Ove ARUP and Baulderstone Hornibrook's optimisation modelling in order to expand and support the investment decision for Solar Tower development on any site in any market.

This shift does not mean that Sunraysia is *off* the development radar, it should however be viewed that other markets are now *on* EnviroMission's radar, with any future development decision to be made on a business case by business case basis. This will also take into account the level of incentives available to Solar Tower developments on a site by site and market by market basis with the objective of increasing the competition within the development decision.

In line with this strategy, EnviroMission's future role and share in the global development of Solar Tower technology is currently being shaped in an agreement with the international Solar Tower licensee, SolarMission Technologies, Inc, EnviroMission's long-term and largest shareholder.

EnviroMission's exclusive licence to develop the Solar Tower concept in Australia will be negotiated to include participation in the global development of the enhanced (Australian) Solar Tower concept.

It is also anticipated a sole development entity will draw heavily from EnviroMission's management and *know how* and to favourably take into account EnviroMission's IP associated with the enhanced Solar Tower concept.

EnviroMission has been actively involved in development activities in the US in collaboration with SolarMission with a high degree of certainty that EnviroMission will play a principal role in Solar Tower development in the US for the benefit of shareholders.

### **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 Davey  
Executive Chairman

Melbourne, 28 February, 2007

**INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ENVIROMISSION LTD**

As lead engagement partner for the review of EnviroMission Limited for the half year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

*MSI RaggWeir*

**MSI RAGG WEIR**  
Chartered Accountants

*L S Wong*

**L S WONG**  
Partner

Melbourne 28 February 2007



**ENVIROMISSION LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>	(101)	(156,834)
Accounting and legal expenses	40,554	63,069
Employment and consultant expenses	324,981	714,757
Occupancy expense	31,362	27,964
Amortisation and depreciation	263,707	268,514
Borrowing costs	11,758	-
Other expenses	106,005	119,070
	<hr/>	<hr/>
<b>LOSS BEFORE INCOME TAX EXPENSE</b>	778,266	1,036,540
Income tax benefit	-	-
	<hr/>	<hr/>
<b>NET LOSS AFTER INCOME TAX</b>	778,266	1,036,540
	<hr/>	<hr/>
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	778,266	1,036,540
	<hr/>	<hr/>
Basic earnings per share ( cents per share)	(0.9 cents)	(1.3 cents)
Diluted earnings per share ( cents per share)	(0.9 cents)	(1.3 cents)

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

**ENVIROMISSION LIMITED  
CONDENSED CONSOLIDATED BALANCE SHEET  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	<b>31 December 2006</b>	<b>30 June 2006</b>
	\$	\$
<b>CURRENT ASSETS</b>		
Cash assets	3,298	208
Trade and other receivables	250,212	276,524
Other assets	6,050	6,050
<b>TOTAL CURRENT ASSETS</b>	<u>259,560</u>	<u>282,782</u>
<b>NON – CURRENT ASSETS</b>		
Property, plant and equipment	20,447	29,256
Other	54,289	53,846
Intangibles	6,895,096	7,148,903
<b>TOTAL NON – CURRENT ASSETS</b>	<u>6,969,832</u>	<u>7,232,055</u>
<b>TOTAL ASSETS</b>	<u>7,229,392</u>	<u>7,514,787</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	740,335	577,930
Interest bearing liabilities	395,934	194,175
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,136,269</u>	<u>772,105</u>
<b>TOTAL LIABILITIES</b>	<u>1,136,269</u>	<u>772,105</u>
<b>NET ASSETS</b>	<u>6,093,123</u>	<u>6,742,682</u>
<b>EQUITY</b>		
Contributed equity	18,630,349	18,501,642
Accumulated losses	(12,537,226)	(11,758,960)
<b>TOTAL EQUITY</b>	<u>6,093,123</u>	<u>6,742,682</u>

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

**ENVIROMISSION LIMITED  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	<b>31 December 2006</b>	<b>31 December 2005</b>
	<b>\$</b>	<b>\$</b>
<b>TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR</b>	<u>6,742,682</u>	<u>7,792,090</u>
<b>Net income recognised directly in equity</b>		-
<b>Loss for the year</b>	<u>778,266</u>	<u>1,036,540</u>
<b>Total recognised income and expense for the period</b>	<u>778,266</u>	<u>1,036,540</u>
<b>Transactions with equity holders in their capacity as equity holders:</b>		
Contributions net of capital raising costs	<u>128,707</u>	<u>501,545</u>
	<u>128,707</u>	<u>501,545</u>
<b>TOTAL EQUITY AT THE END OF THE HALF-YEAR</b>	<u>6,093,123</u>	<u>7,257,095</u>

The above statement of changes in equity is to be read in conjunction with the attached notes.

**ENVIROMISSION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	31 December 2006	31 December 2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(325,899)	(545,597)
Interest received	57	2,808
Interest paid	-	-
	<hr/>	<hr/>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(325,842)	(542,789)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,091)	(10,568)
Payment for other non-current assets	(443)	(5,726)
	<hr/>	<hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,534)	(16,294)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issues of shares	128,707	369,146
Lease principal repayments	-	(1,905)
Proceeds from borrowings	201,759	100,000
	<hr/>	<hr/>
NET CASH FLOWS FROM FINANCING ACTIVITIES	330,466	467,241
NET INCREASE / (DECREASE) IN CASH HELD	3,090	(91,842)
Cash at beginning of period	208	108,630
	<hr/>	<hr/>
<b>CASH AT THE END OF PERIOD</b>	<u>3,298</u>	<u>16,788</u>

The above statement of cash flows is to be read in conjunction with the attached notes.

**ENVIROMISSION LIMITED**  
**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

**NOTE 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

**Basis of accounting**

This 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 2006 and any public announcements made by EnviroMission Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation of the half-year financial report**

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes on assets as described in the accounting policies.

**(b) Going Concern**

The financial statements have been prepared on a going concern basis.

The Company at the 2006 annual general meeting obtained approval of shareholders to make a placement of shares to raise up to \$2,400,000 from investors from the United States, whilst this transaction has not yet completed discussions continue with representatives of the investors to conclude this transaction.

The Company's present activities will be funded by existing working capital and funds raised since 31 December 2006. Short term needs, over and above existing resources, will be met by placement and new share issues as and when required and by accessing the equity line credit facility of \$20,000,000 which is available to the Company for a term of 3 years. The agreement for the credit facility was concluded in December 2005 and announced to the market on 15 December 2005. The Company plans to fund the Solar Tower project through the development of commercial relationships with suppliers, contractors and other strategic alliances.

**(c) Summary of the significant accounting policies**

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

**ENVIROMISSION LIMITED**  
**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

**(d) 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 from time to time during the year 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.

**(e) Intangibles**

*License Rights*

Solar Tower project license rights are valued in the accounts at cost of acquisition less accumulated amortisation and any impairment losses and are amortised over the period in which their benefit is expected to be realised, being 20 years.

EnviroMission and its controlled entity have an exclusive Sub-License to build, own, operate and maintain one or more Solar Tower Power Stations within Australia. This Sub-License expires if by 31 December 2006 an executed contract for the construction of at least one plant of a minimum total installed capacity of ten megawatts has not been agreed to. Discussions are progressing with the licensee for extension of the period of the license.

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 2006 and at this time it is not possible to accurately determine the extent of future income.

During the year ended 31 December 2006 the directors believe the Company has made significant advances in developing the intellectual property associated with the license rights and the directors have concluded that the carrying value of the license rights does not exceed the net amounts that are expected to ultimately be recovered through the cash inflows and outflows from use or arising from disposal.

**ENVIROMISSION LIMITED**  
**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

**(f) Impairment of assets**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**NOTE 2 SUBSEQUENT EVENTS**

Material events subsequent to the end of the half-year that have not been recognised in the half-year financial statements:

The Company has made short term borrowings since 31 December 2006 of \$165,555.

**NOTE 3 SIGNIFICANT ITEMS**

	<b>2006</b>	<b>Half-year</b>	<b>2005</b>
	<b>\$</b>		<b>\$</b>
Technology contractors and consultants	42,850		401,011
Solar Tower license rights amortisation	253,807		253,807

**NOTE 4 CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 December, 2006 and there has been no change since 30 June, 2006.

**ENVIROMISSION LIMITED**  
**31 DECEMBER 2006**

**Compliance Statement**

- 1 A financial report for the six months ended 31 December 2006 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 2006.
- 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: ..... Date: 28 February, 2007  
(Director)

Print name: Roger Davey



**ENVIROMISSION LIMITED**  
**A.C.N. 094 963 238**

**DIRECTORS' DECLARATION**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

The directors declare that the financial statements and notes set out on pages 5 to 16 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 2006 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  
28 February, 2007

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF ENVIROMISSION LIMITED**

**Scope**

**The half year financial report and directors' responsibility**

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both EnviroMission Limited (the company) and the entity it controlled during the half-year, and the directors' declaration for the company, for the half-year ended 31 December 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 'Interim Financial Reporting', in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Review approach**

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investment Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, 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 the Corporations Act 2001, Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83 we declare to the best of our knowledge and belief that the independence declaration set out in the financial report has not changed as at the date of providing our review opinion.

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF ENVIROMISSION LIMITED  
continued**

**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 the consolidated entity, comprising EnviroMission Limited and the entity it controlled during the half-year is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

**Inherent Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the opinion expressed above, attention is drawn to Note 1(b) of the financial statements which states that the financial statements have been prepared on a going concern basis. The ability of the economic entity to continue as a going concern is dependent upon it continuing to secure sufficient funding from capital raisings by placement and new share issues for it to fund its ongoing activities.

If the above capital raisings are not sufficient and the company is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial statements.



**MSI RAGG WEIR**  
Chartered Accountants



**L S WONG**  
Partner

Melbourne 28 February 2007