

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
APPENDIX 4D HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012**

1. Details of the reporting period and the prior corresponding period

Current period: 1 July 2012 - 31 December 2012
 Prior corresponding period: 1 July 2011 - 31 December 2011

2. Results for announcement to the market

Key Information	Half year ended 31 December 2012 \$	Half year ended 31 December 2011 \$	Up/ down	Change %
Revenues from ordinary activities	647	6,492	Down	90%
Loss from ordinary activities after tax attributable to members	(713,962)	(616,620)	Up	16%
Net loss for the period attributable to members	(713,962)	(616,620)	Up	16%

3. Dividend Information	Amount per share (cents)	Franked amount per share (cents)
Interim Dividend	-	-
Preivous corresponding period	-	-
Record date for determining entitlements to the dividend	N/A	N/A

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

Please refer to the Review of Operations within the Directors Report for an explanation of the results.

4. Net Tangible Assets per security	Half year ended 31 December 2012 (cents)	Half year ended 31 December 2011 (cents)
Net tangible assets per security (with the comparative figures for the previous corresponding period)	(0.61)	(0.69)

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES

ABN: 52 094 963 238

FINANCIAL REPORT FOR THE HALF YEAR ENDED

31 DECEMBER 2012

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES

ABN: 52 094 963 238

Financial Report For The Half Year Ended 31 December 2012

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ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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 2012.

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
Andrew Draffin B.Bus, CA	Non-Executive Director Director since 27 June 2011

RESULTS AND REVIEW OF OPERATIONS

During December 2012 the Company executed a Memorandum of Understanding (MOU) with a Texas based development company that grants an exclusive development licence for Solar Tower development throughout the State of Texas, USA. A formal Heads of Agreement and contract between the parties is currently underway and completion is expected in the near future.

The licence provides the Company with an initial non refundable fee of US\$2,000,000, which grants the Texas developer the right to market and develop Solar Towers in Texas from the date of signing the MOU. The Company will also receive equity participation in the development entity and receive ongoing technology fees on an annual basis at the successful conclusion of each Solar Tower development in the State of Texas, details of which will be disclosed at the completion of the formal Heads of Agreement.

The US\$2,000,000 licence fee is due and payable at 31 December 2012 and must be received, in full, by the Company no later than 30 June 2013. The development rights will revert back to the Company in the unlikely event that full payment is not received. At the date of this report, US\$250,000 has been received in line with the payment scheduled agreed by the two parties.

Net loss from ordinary activities was \$713,962 (2011: Net loss \$616,620), the expenditures during the half year were consistent with expectations. Refer to Note 2 for further explanation regarding the classification of the development licence fee.

During the half year ended 31 December 2012 the Board of the Company believe that significant advances in commercialising the right to develop the intellectual property associated with the global licence held by the Company have been made. The development licence agreement with a Texas based consortia is an example of recent commercialisation success.

As previously disclosed, the Intellectual Property owned by the Company was independently valued by Acquity in February 2011 at \$60,000,000. 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. As previously announced, the Power Purchase Agreement has since been terminated by both parties to the agreement. However the Company's Board of Directors believe that more favourable terms can now be negotiated to those stipulated in the original Power Purchase Agreement, thereby increasing potential revenue projections.

Accounting Standards in Australia and the United States of America prevent the valuation being brought to account due to the fact that no active market, under Australian Accounting Standard definitions, exists for the asset.

The recent Texas Development Licence Agreement, the La Paz Solar Tower development, and negotiations to assign development licences in other markets, supports the Board's opinion that the value of the technology is realistic, despite its inability to be brought to account.

The Company's management is confident that demand for renewable energy will continue to increase. Sighting factors such as but not limited to, the continued rise in global energy demand of which current demand is primarily met by a generation of finite resources. The emission and risk liabilities associated with these finite resources will ultimately lead to renewable energy forming a greater component of the current energy mix as a matter of necessity.

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 3 for the half year ended 31 December 2012.

The directors' report is signed in accordance with a resolution of the Board of Directors.

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

Roger C. Davey
Executive Chairman

Melbourne, 28th February 2013

**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 2012 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

P.B. Bunting
P.B. BUNTING
Partner

Melbourne: 28 February 2013

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Half year ended 31 December 2012	Half year ended 31 December 2011
	\$	\$
Revenue	<u>647</u>	<u>6,492</u>
Loss on sale of investment	-	28,411
Unrealised (gain)/loss on investment	-	15,336
Finance costs	752	3,985
Corporate costs	103,371	111,793
Employment costs	50,862	38,309
Contracting/consulting costs	408,864	299,293
Occupancy expense	52,046	35,981
Amortisation and depreciation	150	1,053
Other expenses	47,659	123,493
Foreign exchange (gain)/ loss	50,905	(34,542)
Profit/(loss) before income tax	<u>(713,962)</u>	<u>(616,620)</u>
Income tax expense	-	-
Net profit/(loss) after income tax	<u>(713,962)</u>	<u>(616,620)</u>
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Exchange differences on translating foreign controlled entities	49,806	16,615
Income tax relating to items that will not be classified	-	-
	<u>49,806</u>	<u>16,615</u>
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the period, net of tax	<u>49,806</u>	<u>16,615</u>
Total comprehensive income for the period	<u>(664,156)</u>	<u>(600,005)</u>
Profit/(loss) attributed to:		
Members of the parent entity	(713,962)	(616,620)
Non-controlling interest	-	-
	<u>(713,962)</u>	<u>(616,620)</u>
Total comprehensive income attributable to:		
Members of the parent entity	(664,156)	(600,005)
Non-controlling interest	-	-
	<u>(664,156)</u>	<u>(600,005)</u>
Earnings per share		
Basic earnings per share (cents)	(0.17)	(0.17)
Diluted earnings per share (cents)	(0.17)	(0.17)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	31 December 2012	30 June 2012
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	22,006	341,112
Trade and other receivables	1,837,749	17,537
Other assets	-	4,807
TOTAL CURRENT ASSETS	1,859,755	363,456
NON-CURRENT ASSETS		
Property, plant and equipment	627	777
Intangible assets	1,103,285	1,107,017
Other non-current assets	14,832	14,925
TOTAL NON-CURRENT ASSETS	1,118,744	1,122,719
TOTAL ASSETS	2,978,499	1,486,175
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	975,161	1,076,821
Deferred Income	1,906,579	-
Borrowings	187,583	477,959
TOTAL CURRENT LIABILITIES	3,069,323	1,554,780
NON-CURRENT LIABILITIES		
Trade and other payables	1,326,069	1,149,132
TOTAL NON-CURRENT LIABILITIES	1,326,069	1,149,132
TOTAL LIABILITIES	4,395,392	2,703,912
NET ASSETS	(1,416,893)	(1,217,737)
EQUITY		
Issued capital	33,500,811	33,035,811
Reserves	510,296	460,490
Accumulated losses	(35,428,000)	(34,714,038)
TOTAL EQUITY	(1,416,893)	(1,217,737)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Issued Capital \$	Accumulated losses \$	Reserves \$	Total \$
Balance at 1 July 2011	31,220,811	(33,114,478)	427,688	(1,465,979)
Loss for the period	-	(616,620)	-	(616,620)
Other comprehensive income for the period	-	-	16,615	16,615
Total comprehensive income for the period	-	(616,620)	16,615	(600,005)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the year	635,000	-	-	635,000
Total transactions with owners and other transfers	635,000	-	-	635,000
Balance at 31 December 2011	31,855,811	(33,731,098)	444,303	(1,430,984)
Balance at 1 July 2012	33,035,811	(34,714,038)	460,490	(1,217,737)
Profit for the period	-	(713,962)	-	(713,962)
Other comprehensive income for the period	-	-	49,806	49,806
Total comprehensive income for the period	-	(713,962)	49,806	(664,156)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the year	465,000	-	-	465,000
Total transactions with owners and other transfers	465,000	-	-	465,000
Balance at 31 December 2012	33,500,811	(35,428,000)	510,296	(1,416,893)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Half year ended 31 December 2012	Half year ended 31 December 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Development right fee received	96,260	-
Interest received	87	65
Payments to suppliers and employees	(574,967)	(418,637)
Net cash used in operating activities	<u>(478,620)</u>	<u>(418,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	51,999
Net cash provided by investing activities	<u>-</u>	<u>51,999</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	205,000	395,000
Proceeds from borrowings	-	15,194
Repayment of borrowings	(30,000)	(2,500)
Net cash provided by financing activities	<u>175,000</u>	<u>407,694</u>
Net (decrease)/increase in cash held	(303,620)	41,121
Cash and cash equivalents at beginning of period	341,112	3,046
Effect of exchange rates on cash holdings in foreign currencies	(15,486)	(8,613)
Cash and cash equivalents at end of period	<u><u>22,006</u></u>	<u><u>35,554</u></u>

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 2012 and any public announcements made by the Company since 30 June 2012 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

Basis of Preparation

The consolidated 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 the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations. The adoption of these Standards has not resulted in any restatement to the results of previous periods presented.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, unless otherwise stated.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2012 annual report, except in relation to the following matter:

Key Estimates

Impairment - Carbon Price

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The Group has not incorporated the effect of any carbon price implementation in its impairment testing at 31 December 2012. However the effect, if any is not expected to be material to the information disclosed in this report.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

Presentation of item of Other Comprehensive Income

The Group adopted AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income on 1 July 2012. AASB 2011-9 is mandatorily applicable from 1 July 2012 and amends AASB101: Presentation of Financial Statements.

AASB 2011-9 amends the presentation requirements of other comprehensive income. It requires items of other comprehensive income to be grouped between:

- Items that will not be reclassified subsequently to profit or loss; and
- those that will be reclassified subsequently to profit or loss when specific circumstances occur.

It also requires, when items of other comprehensive income are presented before the related tax effects with a single amount shown for the aggregate amount of income tax relating to those items, the amount of tax effect to be allocated between:

- Items that will not be reclassified subsequently to profit or loss; and
- those that might be reclassified subsequently to profit or loss.

The adoption of AASB 2011-9 only changed the presentation of the Group's financial statements and did not have any impact on the amounts reported for the current period or for any prior period in the Group's financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

(b) Principles of Consolidation

The consolidated financial statements are those of the consolidated group, 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

Licence 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-licence 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.

Intellectual Property

During the half year ended 31 December 2012 the Board of the Company believe that significant advances in commercialising the right to develop the intellectual property associated with the global licence held by the Company have been made.

The Board previously gained an independent valuation of the intellectual property, knowhow and licences as they are currently owned 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 former Power Purchase Agreement signed with the Southern California Public Power Authority. The valuation did not consider exclusive development licence income, such as that recently negotiated for the State of Texas, however it is noted that such income will greatly contribute to future cash flows.

The value of the intellectual property and licences is dependent on the ability of the Company to generate income from the asset. Solar Tower development is in the development stage, however the issue of licence development rights has reached commercialisation. Discussions and arrangements with interested parties indicate significant potential future profits and cash flows attributable to the Company's Intellectual Property.

NOTE 2 DEFERRED INCOME

The Australian dollar equivalent of the US \$2,000,000 development licence fee has been brought to account as deferred income. Notwithstanding, the Board believes that development licence fee meets the requirements of Accounting Standard AASB 118: Revenue, given that the development rights to develop Solar Towers in the State of Texas have transferred to a Texas based consortia. However due to the fact that a formal Heads of Agreement is yet to be executed, the Company's auditors are of the view that there is insufficient evidence to support the fact that the rights to develop have been transferred. As such the income will be recognised in the Company's comprehensive income at the completion of the Heads of Agreement between the two parties.

NOTE 3 EVENTS AFTER THE END OF THE INTERIM PERIOD

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 4 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2012 and there has been no change since 30 June 2012.

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

NOTE 5 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.

Geographical Segment

Segment revenue	Half year ended 31 December 2012	Half year ended 31 December 2011
USA	556	6,348
Australia	91	144
	<u>647</u>	<u>6,492</u>

Segment results

USA	(217,778)	(195,465)
Australia	(496,184)	(421,155)
Total profit/ (loss)	<u>(713,962)</u>	<u>(616,620)</u>
Unallocated expenses	-	-
Profit/(loss) before income tax expenses	<u>(713,962)</u>	<u>(616,620)</u>
Income tax expense	-	-
Net profit/ (loss)	<u>(713,962)</u>	<u>(616,620)</u>

Segment assets and liabilities

	Assets		Liabilities	
	Half year ended 31 December 2012 \$	30 June 2012 \$	Half year ended 31 December 2012 \$	30 June 2012 \$
USA	191,816	442,521	881,842	876,071
Australia	2,786,683	1,043,654	3,513,553	1,827,842
Total of all segments	<u>2,978,499</u>	<u>1,486,175</u>	<u>4,395,395</u>	<u>2,703,913</u>

NOTE 6 GOING CONCERN

The Group has accumulated losses of \$35,428,000 and a net asset deficiency of \$1,416,893 at 31 December 2012. The directors believe that the company will be successful in its future operations and has accordingly prepared the financial report on a going concern basis. The Company is also in the discussion to grant further development licences with similar terms as those negotiated for the State of Texas to other jurisdictions both within and outside USA.

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 2012 and as such no adjustment has 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.

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

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

NOTE 7 RELATED PARTY TRANSACTIONS

(a) The Group's main related parties are as follows:

(i) Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

(ii) Other Related Parties

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel exercise significant influence.

(b) Transactions with related parties:

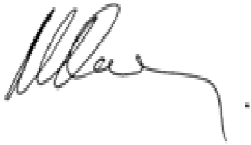
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Half year ended 31 December 2012	Half year ended 31 December 2011
	\$	\$
(i) Director related Company		
- Remuneration paid to Mr Roger Davey is paid to Canterbury Mint Pty Ltd, a Company of which Mr Davey is a director and shareholder	178,083	166,559
- Remuneration paid to Mr Andrew Draffin is paid to Draffin Walker & Co., a Company of which Mr Draffin is a director and shareholder.	111,175	30,000
(ii) Key Management Personnel		
- Remuneration paid to Ms Kim Forte is paid to Kim Forte Consulting, a business of which Ms Forte is a director and shareholder.	120,583	101,059
- Director fees paid to Mr David Galbally.	30,000	20,000
- Consultancy fees paid to Mr Douglas Fant is paid to Law Offices of Douglas V. Fant, a Company of which Mr Fant is a director and shareholder	-	3,538
- Legal fees paid to Mr David Rodli is paid to David Rodli Law Office, a Company of which Mr Rodli is a director and shareholder	7,230	7,270
(c) Amount due to related parties as at 31 December 2012:		
Canterbury Mint Pty Ltd	673,401	624,201
David Galbally	90,000	20,000
Draffin Walker & Co.	166,000	30,000
Kim Forte Consulting	52,112	271,633
Douglas V. Fant	43,194	46,392
David Rodli Law Office	70,019	42,853

**ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of EnviroMission Limited and its controlled entities, the directors of the company declare that:

1. The financial statements and notes set out on pages 4 to 11 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134 "Interim Financial Reporting", and
 - (b) giving a true and fair view of the consolidated group's financial position as at 31 December 2012 and of its performance, for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Roger C. Davey
Executive Chairman

Melbourne, 28th February 2013

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Enviromission Limited and controlled entities, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half year ended on that date, notes comprising 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 Enviromission Limited and controlled entities are responsible for the preparation 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 internal 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 the Auditing Standard on Review Engagements ASRE 2410: Review of a 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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Enviromission Limited and controlled entities' financial position as at 31 December 2012 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.

**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.

Conclusion

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 group's financial position as at 31 December 2012 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 Act 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 6 in the financial report which indicates that the consolidated group had an accumulated loss of \$35,428,000 and a net asset deficiency of \$1,416,893 at 31 December 2012. These conditions indicate the existence of a material uncertainty, which may cast significant doubts about the consolidated group's ability to continue as a going concern and whether it is able to realise its assets and discharge its liabilities in the normal course of business.

MSI Ragg Weir
MSI RAGG WEIR
Chartered Accountants

P.B. Bunting
P.B. BUNTING
Partner

Melbourne: 28 February 2013