



COMPANY ANNOUNCEMENT

Immediate Release
29 February, 2012
[ASX: EVM](#)
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HALF YEAR REPORT

EnviroMission's half year report for the period ending 31 December 2011 follows.

Ends.

A handwritten signature in black ink, appearing to read "R. Davey".

Roger C. Davey
Executive Director
EnviroMission Limited

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

HALF YEARLY REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2011

(Previous Corresponding Period: Half year ended 31 December 2010)

Results for announcement to the market.

Revenues from ordinary activities	Down	94%	to	\$ 6,492
Loss from ordinary activities after tax attributable to members	Down	17%	to	(616,620)
Net loss for the period attributable to members	Down	17%	to	(616,620)

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	(0.69 cents)	(0.75 cents)

**ENVIROMISSION LIMITED AND CONTROLLED
ENTITIES**

A.C.N. 094 963 238

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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 2011.

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

FINANCIAL

Net loss from ordinary activities was \$616,620 (2010: Net loss \$743,016), expenditures during the half year were consistent with expectations.

OPERATIONAL OVERVIEW

The first half of the 2011/2012 financial year represents completion of a decade of Solar Tower development by EnviroMission Limited that has informed commercialisation progress in the United States.

EnviroMission Solar Tower technology is large-scale, highly differentiated solar powered electricity generation for the wholesale electricity market using technology owned and protected by EnviroMission.

EnviroMission has a regional headquarters based in Phoenix, Arizona where development operations are managed locally to commercialise EnviroMission's first Solar Tower development in La Paz County, Arizona, for the purpose of generating clean electricity for sale to the Southern California Public Power Authority (SCPPA) under the terms of a landmark Power Purchase Agreement – cost of the US based operations are included in the EnviroMission audited accounts.

Front End Engineering & Design (FEED) is being undertaken for site specific planning and construction of the world's first 200MW EnviroMission Solar Tower.

Development partners and collaborators in the United States contribute to an impressive operational team including Hensel Phelps, Faithful+Gould, Terracon, Ritoch – Powell & Associates, Quarles & Brady, Aon and Cemex; many local businesses and government agencies are also providing EnviroMission with positive assistance and support at this early stage of FEED. Operational meetings are held on a regular basis with all reports indication positive and timely progress to meet the SCPPA development timeline.

Over the last financial half year EnviroMission has put in place a corporate structure in the US that will meet the regulatory and legal requirements anticipated with the PPA with SCPPA and will satisfy a robust business model to meet the terms of financing and risk management objectives.

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

DIRECTORS' REPORT (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

OPERATIONAL OVERVIEW (CONTINUED)

EnviroMission Limited will 100% own four US entities with EnviroMission (USA), Inc to be replaced with EnviroMission Inc. as the active operational entity for EnviroMission in the US – the cost of this is reflected in the EnviroMission accounts.

Project and development capital executive negotiations are being managed by EnviroMission Limited in Australia – disclosures around these negotiations are anticipated in Q3.

EnviroMission has assigned an operating budget to Solar Tower commercialisation activities in Western Australia and South Australia and makes the distinction that EnviroMission Limited is the only developer of the EnviroMission Solar Tower and owner of the associated intellectual property that was independently valued in January 2011 at AUD\$60M.

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, 29th February 2012

**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 2011 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
Chartered Accountants


I.L. JENKINS
Partner

Melbourne: 29 February 2012

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Half year ended 31 December 2011	Half year ended 31 December 2010
	Note	\$
REVENUE	\$	\$
	<u>6,492</u>	<u>107,236</u>
Loss on sale of investment	28,411	-
Unrealised (gain)/loss on investment	15,336	-
Finance costs	3,985	1,572
Corporate costs	111,793	102,187
Employment costs	38,309	33,066
Contracting/consulting costs	299,293	463,066
Occupancy expense	35,981	41,424
Amortisation and depreciation	1,053	4,593
Other expenses	123,493	57,264
Foreign exchange (gain)/ loss	<u>(34,542)</u>	<u>147,080</u>
	<u>623,112</u>	<u>850,252</u>
LOSS BEFORE INCOME TAX EXPENSE	(616,620)	(743,016)
Income tax expense	<u>-</u>	<u>-</u>
NET LOSS AFTER INCOME TAX	<u>(616,620)</u>	<u>(743,016)</u>
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	<u>(616,620)</u>	<u>(743,016)</u>
Basic earnings per share (cents per share)	(0.17 cents)	(0.23 cents)
Diluted earnings per share (cents per share)	(0.15 cents)	(0.20 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

LOSS FOR THE YEAR	(616,620)	(743,016)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign controlled entities	<u>16,615</u>	<u>346,789</u>
Other comprehensive income for the year, net of tax	<u>16,615</u>	<u>346,789</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(600,005)</u>	<u>(396,227)</u>

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

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	31 December 2011	30 June 2011
	Note	
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	35,554	3,046
Trade and other receivables	23,070	77,387
Other assets	-	20,000
TOTAL CURRENT ASSETS	<u>58,624</u>	<u>100,433</u>
NON – CURRENT ASSETS		
Property, plant and equipment	1,452	2,460
Intangibles	1,005,609	995,622
Other assets	8,775	8,696
TOTAL NON - CURRENT ASSETS	<u>1,015,836</u>	<u>1,006,778</u>
TOTAL ASSETS	<u>1,074,460</u>	<u>1,107,211</u>
CURRENT LIABILITIES		
Trade and other payables	<u>996,831</u>	<u>725,925</u>
TOTAL CURRENT LIABILITIES	<u>996,831</u>	<u>725,925</u>
NON-CURRENT LIABILITIES		
Trade and other payables	1,274,830	1,619,125
Borrowings	<u>233,783</u>	<u>228,140</u>
TOTAL NON - CURRENT LIABILITIES	<u>1,508,613</u>	<u>1,847,265</u>
TOTAL LIABILITIES	<u>2,505,444</u>	<u>2,573,190</u>
NET ASSETS	<u>(1,430,984)</u>	<u>(1,465,979)</u>
EQUITY		
Issued capital	31,855,811	31,220,811
Reserves	444,303	427,688
Accumulated losses	<u>(33,731,098)</u>	<u>(33,114,478)</u>
TOTAL EQUITY	<u>(1,430,984)</u>	<u>(1,465,979)</u>

The above consolidated statement of financial position is to be read in conjunction with the attached notes.

**ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

Attributable to equity holders of the Company

	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1st of July 2010	30,215,034	(31,945,752)	123,493	(1,607,225)
Loss for the period	-	(743,016)	-	(743,016)
Share capital introduced	681,286	-	-	681,286
foreign operations	-	-	346,789	346,789
Balance at 31st December 2010	30,896,320	(32,688,768)	470,282	(1,322,166)
Balance at 1st of July 2011	31,220,811	(33,114,478)	427,688	(1,465,979)
Loss for the period	-	(616,620)	-	(616,620)
Share capital introduced	635,000	-	-	635,000
Exchange differences arising on translation of foreign operations	-	-	16,615	16,615
Balance at 31st December 2011	31,855,811	(33,731,098)	444,303	(1,430,984)

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

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Half year ended 31 December 2011	Half year ended 31 December 2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(418,637)	(456,666)
Interest received	65	1,440
Miscellaneous revenue	<u>-</u>	<u>105,768</u>
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(418,572)</u>	<u>(349,458)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	<u>51,999</u>	<u>-</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>51,999</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds/(costs) from issues of shares	395,000	310,491
Repayment of borrowings	(2,500)	24,091
Proceeds from borrowings	<u>15,194</u>	<u>-</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>407,694</u>	<u>334,582</u>
NET INCREASE / (DECREASE) IN CASH HELD	41,121	(14,876)
Cash at beginning of period	<u>3,046</u>	<u>20,461</u>
Subtotal	44,167	5,585
Effects of exchange rate fluctuations on cash held	(8,613)	(1,297)
CASH AT THE END OF PERIOD	<u>35,554</u>	<u>4,288</u>

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

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of EnviroMission Limited and its controlled entities (referred to as the Consolidated Group or the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the following half-year.

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, except in relation to the matters discussed below.

Critical Accounting Estimates and Judgments

The critical estimates and judgements are consistent with those applied and disclosed in the June 2011 annual report.

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

For the half-year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group. A discussion of these new and revised requirements that are relevant to the Group is provided below:

- AASB 124: Related Party Disclosures (December 2009)
AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:
- The definition of a “related party” is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
 - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and
 - the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.
- A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]
- This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:
 - clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
 - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
 - amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
 - adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
 - making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010–4 did not have a significant impact on the financial statements of the Group.

- AASB 1054: Australian Additional Disclosures and AASB 2011–1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]
- AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements. The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.

Application of AASB 1054 did not have a significant impact on the financial statements of the Group.

(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.

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Intellectual Property

During the half-year ended 31 December 2011 the directors believe the Company has made significant advances in developing the intellectual property associated with the license rights held by the Company. The directors previously 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.

The value of the intellectual property and licences is dependent on the ability of the Company to generate income from the asset. The solar tower development is still in the development stage however discussions and arrangements with interested parties indicates significant potential future profits and cash flows when the project commences. At this point in time the Company is having discussions with potential investors.

NOTE 2 SUBSEQUENT EVENTS

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 2011 and there has been no change since 30 June 2011.

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.

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 4 SEGMENT INFORMATION (CONTINUED)

a)	Geographical segment				
		Half year ended		Half year ended	
	Segment revenue	31 December 2011		31 December 2010	
		\$		\$	
	USA	6,348		107,193	
	Australia	144		43	
		<u>6,492</u>		<u>107,236</u>	
	Segment results				
	USA	195,465		219,238	
	Australia	421,155		523,778	
	Loss	<u>616,620</u>		<u>743,016</u>	
	Unallocated expenses	-		-	
	Loss before income tax expense	616,620		743,016	
	Income tax expense	-		-	
	Net loss	<u>616,620</u>		<u>743,016</u>	
	Segment assets, liabilities				
		Assets		Liabilities	
		Half year ended	30 June	Half year ended	30 June
		31 December 2011	2011	31 December 2011	2011
		\$	\$	\$	\$
	USA	141,693	196,195	2,172,398	1,955,800
	Australia	932,767	911,016	333,046	617,390
	Total of all segments	<u>1,074,460</u>	<u>1,107,211</u>	<u>2,505,444</u>	<u>2,573,190</u>

NOTE 5 GOING CONCERN

The Group has accumulated losses of \$ 33,731,098 and a net current asset deficiency of \$938,207 at 31 December 2011. 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 2011 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.

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

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 6 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 2011	Half year ended 31 December 2010
	\$	\$
(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	166,559	168,870
- Remuneration paid to Mr Andrew Draffin is paid to Draffin Walker & Co., a Company of which Mr Draffin is a director and shareholder.	30,000	23,000
(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.	101,059	103,370
- Director fees paid to Mr David Galbally.	20,000	20,000
(c) Amount due to related parties as at 31 December 2011:		
Canterbury Mint Pty Ltd	624,201	529,501
Draffin Walker & Co.	30,000	-
Kim Forte Consulting	271,633	208,817
David Galbally	20,000	20,000

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

DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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

1. The financial statements and notes set out on pages 5 to 12 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 2011 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 Davey
Chief Executive Officer
Executive Director

Melbourne
29th February 2012

**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 2011, and the consolidated statement of income, consolidated statement of 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 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 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 2011 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

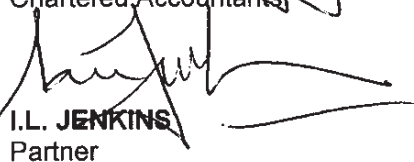
Based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Enviromission Limited and its controlled entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated group's financial position as at 31 December 2011 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 5 in the financial report which indicates that the consolidated group had an accumulated loss of \$33,731,098 at 31 December 2011 and as of that date current liabilities exceeded its current assets by \$938,207 and total liabilities exceed total assets by \$1,430,984. 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
Chartered Accountants


I.L. JENKINS
Partner

Melbourne: 29 February 2012