Pacific Enviromin Limited

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ASX Code: PEV

Annual Financial Report

For the year ended 30 June 2010

Current reporting period:	Financial year ended 30 June 2010
Previous corresponding period:	Financial year ended 30 June 2009

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CHAIRMAN'S REPORT

As indicated at Pacific Enviromin Limited's 2009 Annual General Meeting in November 2009, the Company decided after a strategic review of its growth prospects to focus more heavily on its mineral exploration opportunities. To this end, it acquired from its Executive Director, Mr Paul Byrne, all the issued shares of Area Coal Pty Ltd, in return for reimbursement of the expenditures that Area Coal had incurred. Area Coal's tenements, together with others subsequently secured by the Company, has enabled the Company to build a potentially valuable and strategic portfolio of coal exploration

As shareholders will be aware, the Company is actively pursuing coal tenements that are prospective for coking, PCI and thermal coal in the Bowen, Surat, Clarence-Moreton and Galilee basins. The Company has acquired in excess of 30 Exploration Permit for Coal tenements (EPC) that are clustered together forming projects in the key geological regions, the majority of which are major coal producing areas in Queensland with excellent infrastructure. Of these EPCs, most are in the Bowen basin with the balance in the other coal basins. Of the Company's EPCs, 10 have now been granted or have been offered, while the balance are still applications of which 10 are competing with third parties. Since acquiring its coal tenements, the Company has initiated further geological study and evaluation of these. It has utilised well qualified external consulting geological services specialising in the coal sector so as to independently investigate, and assign priorities to, their prospectivity.

The Company's business model is to evaluate its tenements to determine the optimal approach to realise value, whether alone or in joint venture with other parties. The Company sought expressions of interest with respect to its tenements in April 2010 and received initial indications of interest from in excess of 20 parties with 5 parties currently in on-going discussions with the Company is. As a result of this process, 4 of the tenements now have a farm-in partner to share the financial risk of their further evaluation and development and more joint ventures can be reasonably expected in the near term. The Company believes that its approach to date has facilitated a timely and cost effective means for it to evaluate the potential value of its coal assets. The Company's major focus has been with respect to its tenements in the Bowen basin as these are more likely to contain the more highly sought after, and valuable, metallurgical coals.

Recent transactions in the coal sector have indicated the potential value of the Company's coal strategy. For example, reference can be made to the recent Linc Energy announcement to the ASX made on the 10th August 2010 where Linc Energy state that they have sold 100% of their EPC 1690 in the Galilee basin to Adani Mining Pty Ltd for the sale price of $500 million cash up-front and a $2 per tonne royalty over 20 years, giving a total transaction value estimated at $3 billion. Pacific Enviromin's EPC 1957, applied for in October 2009 as an exclusive application, abuts to the east of Linc Energy/Adani Mining's EPC1690. The Company's EPC1957 covers in excess of 390 square kilometres of prospective exploration tenure. This project has been farmed out in a joint venture.

More recently the Company notes that Macarthur Coal Limited paid $A334.35m to acquire a 90 percent interest in MDL162, as described in Macarthur Coal's release to the ASX dated 24th August 2010. MDL162 directly abuts the Company's 100 percent owned EPC 1827 which comprises 7 sub-blocks (23 square kilometres) which is located in the central Bowen Basin between the Curragh mine and the Jellinbah mine. Shareholders will be aware that the Company has previously released on 12th April 2010 an exploration target assessment for EPC 1827 from the Company's consulting geologists, The Minserve Group Pty Ltd. Refer to the Conclusion in Section 5, page 11 of the Minserve report for further information.
The Company still retains a 100% interest in its bentonite resource and is working on a number of opportunities in the region to realise value from this investment.

CHAIRMAN'S REPORT

The Company looks forward to updating the market on progress with respect to EPC 1827, and the Company's other strategically located coal tenements primarily located in the premium coal Bowen Basin (and more regional projects located in the Clarence-Moreton, Surat and Galillee Basins), as further results become available.

John Bovard
Chairman
Brisbane

DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2010.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were:

- coal exploration tenement exploration
- review of other resource opportunities
- operation of the Mantuan Downs bentonite resource.

The following significant changes in the nature of the principal activities occurred during the financial year:

- entry into coal exploration and development following the acquisition of Area Coal Pty Ltd
- disposal of Ironbar Pty Ltd
- disposal of wastewater treatment company.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated loss of the consolidated group amounted to $3,968,416 (2009: loss $6,926,340) after providing for income tax and eliminating minority equity interests.

Included in the annual accounts is a valuation adjustment for a major asset of the Company. Directors previously engaged an independent valuer to review the holding value of the Mantuan Downs resource. The resulting value of $10 million was adopted in the accounts for 2007. Following a review of the revenue which has been generated from the resource the directors have decreased the value of the resource in the accounts to $1 million (2009: $3.1 million).

Review of Operations

Pacific Enviromin Limited ("PEV") is building a portfolio which includes resource projects.

The following activities took place during the financial year:

Coal Exploration Projects

The Company has acquired in excess of 30 Exploration Permit for Coal tenements (EPC) that are clustered together forming projects in the key geological regions, the majority of which are major coal producing areas in Queensland with excellent infrastructure. Of these EPCs, most are in the Bowen basin with the balance in the other coal basins. Of the Company's EPCs, 10 have now been granted or have been offered, while the balance are still applications of which 10 are competing with third parties. Since acquiring its coal tenements, the Company has initiated further geological study and evaluation of these. It has utilised well qualified external consulting geological services specialising in the coal sector so as to independently investigate, and assign priorities to, their prospectivity.

DIRECTORS' REPORT

PEV through its subsidiaries holds the following coal exploration assets

Tenement	Location	Status
EPC 1548	West German Creek	Granted 29 March 2010
EPC 1566	Bee Creek	Competing application
EPC 1638	Spear Creek	Competing application
EPC 1645	Mount Hess	Competing application
EPC 1685	Therese Creek	Competing application
EPC 1773	Kemmis Creek	Exploration Permit Proposal
EPC 1798	Bluff Creek	Granted 19 February 2010
EPC 1824	Mt Hillalong	Exploration Permit Proposal
EPC 1827	Cooroorah	Granted 25 November 2009
EPC 1859	Dingo	Exploration Permit Proposal
EPC 1866	Lake Elphinstone	Competing application
EPC 1867	Mount Hess West	Exploration Permit Proposal
EPC 1894	Pocky Creek	Granted 29 March 2010
EPC 1895	Dawson River	Granted 29 March 2010
EPC 1896	Bottle Tree Creek	Application
EPC 1920	Comet River	Granted 18 February 2010
EPC 1965	Kanga Creek	Exploration Permit Proposal
EPC 2011	North Copperfield	Competing application
EPC 2014	Blair Athol	Competing application
EPC 1955[i]	Bungaban Creek	Granted 30 March 2010
EPC 1957[i]	Laguna Creek	Exploration Permit Proposal
EPC 1979[i]	Kingsthorpe	Exploration permit Proposal
EPC 1989	Castlevale	Exploration Permit Proposal
EPC 1987[i]	Quandong	Exploration Permit Proposal
EPC 1995	Carlo Creek	Granted 25 May 2010
EPC 1996	Churchyard Creek	Granted 24 May 2010
EPC 1997	Mt Stuart	Granted 24 May 2010
EPC 2012	Clermont	Competing application
EPC 2016	Drummond	Competing application
EPC 2035	Bee Creek	Exploration Permit Proposal
EPC 2036	Ripstone Creek	Exploration permit Proposal
EPC 2037	Almoola	Exploration Permit Proposal

(i) The Company, through its 100% owned subsidiary Mining Investments One Pty Ltd has entered into a Joint Venture Exploration and Development agreement with Blackwood Resources Pty Ltd. Under the agreement Blackwood Resources acquires a 90% interest in EPC's 1979, 1955, 1987 and 1957 for a total cash consideration of $500,000 and PEV will hold a 10% free carried interest up until bankable feasibility. PEV will have the option to enter into a joint venture agreement with Blackwood Resources to further explore and develop the tenements.

Industrial Minerals Projects

PEV through its subsidiaries holds the following industrial mineral assets:

Tenement	Mineral	Location	Status	Uses
EPM 13886 ML 70360 EPMA 17644	Calcium Bentonite	Springsure Central Qld	Mining commenced, processing plant installed and product being sold	Multiple uses including clarification of food oils, livestock feed, compost enhancing.
EPM 16629 MLA 50207	Sodium Bicarbonate	Roma Qld	Consulting hydro geologists appointed to supervise process. Waiting grant of mining lease	Baking Soda and Soda Ash. Food and other industries, glass manufacture

Mantuan Downs

The Company's Mantuan Downs calcium bentonite resource is located west of Springsure in Central Queensland. The Company's tenements (including applications for new tenements), cover a combined area of 181.1 square kilometres. Mantuan Downs contains a large deposit of very high quality calcium bentonite, defined to a JORC standard at 15 million tonnes, with considerable potential to increase the deposit size.

On 1 April 2008, the Company was granted a mining lease by the Queensland Government over an area of 2.74 square kilometers.

Based on prior research which highlighted the benefit of bentonite in enhancing soils and composts, PEV focused on the agriculture sector and to end users in broad acre, high value market gardens, and feed lots . While feedback has generally been positive, delays in field trials and a reticence of primary producers to change long term farming practice has slowed market take up.

The Company is now focused on dealing with larger agricultural companies who are looking to improve productivity on their low-yield land.

Bentonite-based Technologies

PEV has developed calcium bentonite-based technologies for the improvement of our environment. These technologies include remediation of heavy metal contaminated soils, the removal of carcinogenic compounds from high temperature smoke, the global licence for absorption of oil spills in water, increasing agricultural productivity through bentonite blending for fertilizer, and the reduction of methane emissions in livestock.

The major market being targeted is excess fertilizer run-off from farming lands along the Queensland coast. Government pressure to fix this problem provides opportunities for PEV's bentonite.

Grafton Range Sodium Bicarbonate

PEV acquired this project on 7 February 2008.

Sodium bicarbonate (baking soda) is used extensively in food manufacture, pharmaceuticals, mineral processing and other industries. Major derivative products such as sodium carbonate (soda ash) and caustic soda are also key inputs into a number of industries including chemicals and glass manufacture.

The Company engaged hydro-geologists to review the project and is now waiting for a mining lease to be granted before drilling of exploratory wells can commence.

Waste Water Treatment

PEV acquired the Filtek waste water solutions business in February 2009, following discussions with several companies with waste water problems. The anticipated opportunities failed to materialise and the vendors failed to complete the acquisition. The business reverted back to the vendors in February 2010.

Financial Position

The net assets of the consolidated group at 30 June 2010 are $2,082,597 (2009: $5,089,796). This decrease is largely due to the following factors:

- Disposal of surplus plant and machinery
- Impairment of Manutan Downs bentonite resourse. ($2.1million)

Disposal of surplus plant and machinery has enabled the Group to reduce its borrowings by $467,773. The Group's working capital, being current asset less current liabilities, is $583,890 (2009: $1,032,708).

The past financial year saw the Group secure a number of highly prospective coal tenements in Queensland's Bowen, Surat, Clarence-Moreton and Basins. The company is proceeding to unlocking the value of these resource assets by entering into joint venture, farm in agreements.

The directors believe the Group is in a stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

i. During the year the company issued an additional 66,829,130 ordinary shares to various sophisticated and professional investors raising $980,000 to provide additional working capital.

Changes in controlled entities and divisions:

i. Purchase of 100% of Area Coal Pty Ltd, which holds a number of coal exploration tenements in Queensland, for $56,733.

ii. Sale of the consolidated group's interest in Ironbar Pty Ltd, for $Nil consideration. The Reomate project had become a drain on the company's resources with no likelihood of commercialisation in the foreseeable future. The project's other investors agreed to acquire the consolidated group's share of the company and release the consolidated group from any further development costs and the on-going obligation to maintain the project's patents.

Dividends Paid or Recommended

No dividends of the Company or any entity of the Group have been paid or declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30th June 2010.

After Balance Date Events

No matters or circumstances that have significantly affected, or may affect, the company's operations in future financial years, or the company's state of affairs during future financial years occurred after the balance date.

Future Developments, Prospects and Business Strategies

To further improve the consolidated group's profit and maximise shareholder wealth, the following developments are intended for implementation in the near future:

i. The Company will continue to review, and if considered appropriate for the Company's portfolio, acquire other minerals projects.

ii. The Company will continue the focus on developing domestic and overseas markets for its Mantuan Downs calcium bentonite,

iii. Pursue opportunities to market and sell its environmental remediation technologies.

These developments, are expected to assist in the achievement of the consolidated group's long-term goals and development of new business opportunities. Due to the present uncertainty in world markets, it is not possible at this stage to predict future results of these operations.

DIRECTORS' REPORT

Environmental Issues

The consolidated group's operations are subject to significant environmental regulation in respect of its exploration activities in Australia. The company is committed to undertaking all its operations in an environmentally responsible manner. The Company is also subject to environmental regulation by the Environmental Protection Agency of Queensland. The Company complies with the Mineral Resources Act (1989) and the Environmental Protection Act (1994).

The Company signed a Native Title Agreement with the Bidjara 3 People who are the registered native title claimants over the Mantuan Downs area. The Company has also signed compensation agreements with the relevant landholders at Mantuan Downs and Grafton Range. It is the Company's policy that its activities cause minimum disturbance or encroachment, or offence to cultural sites or beliefs of members of traditional landowner groups or to any landholder or business enterprise falling within the exploration tenements held by the Company.

Information on the Directors

The names and details of the directors of the Company during the year and until the date of this report are:

Mr. John Bovard FAICD, FAusIMM BE (Civil) (Chairman, Non-executive Director) – Appointed 30 October 2009

Experience and expertise

Mr. Bovard has 41 years experience in the mining industry. He has been involved in several major projects and has held prominent positions with many Australian and international companies including Wetern Mining Inc, OK Tedi and Placer Pacific.

Mr. Bovard is Non-executive Chairman of Mt Isa Metals Limited and Non-executive Director of Australian Solomons Gold Limited

Special responsibilities

Chairman of the Board.

Interests in shares and options

Nil

Directorships held in other listed entities in the three years prior to the current year

Current director of Mt Isa Metals Limited (since 2008)

Mr. Peter Ziegler B. Com (Hons), LL.B (Hons); MFM, FCPA, FTIA, ACA (Deputy Chairman, Non-executive Director)

Experience and expertise

Mr. Ziegler is an experienced company director. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. He is also a solicitor of the Supreme Court of Victoria. Director since 29 November 2005. Mr Ziegler is currently the principal of Ziegler Asset Partners, an asset management firm specialising in investments in listed and unlisted equities and special opportunities.

Special responsibilities

Member of the Audit and Remuneration Committees

Interests in shares and options

233,333 ordinary shares in Pacific Enviromin Limited

Directorships held in other listed entities in the three years prior to the current year

Nil

Mr. Paul Byrne (Executive Director)

Experience and expertise

Mr. Byrne joined the Company as Executive Director, following the acquisition of the Ipoh group of companies. Mr. Byrne was a founder of the Ipoh group and has initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries. He has also been involved in the resources sector since 1985 in exploration and mining and has been a director of several Australian public listed companies. Director since 29 November 2005.

Special responsibilities

Develop the Company's marketing and sales strategies, review resource opportunities and manage the environmental remediation portfolio.

Interests in shares and options

45,884,192 ordinary shares in Pacific Enviromin Limited

Directorships held in other listed entities in the three years prior to the current year

Nil

Mr. John Laurie B.Ec, FCPA, FAIM (Non-executive Director)

Experience and expertise

Mr. Laurie joined the board in January 2000. He has extensive experience in manufacturing and marketing in a wide variety of industries, both domestic and international.

Mr. Laurie is currently the chairman of the Sydney based Twilight Aged Care Group, a number of private companies and was previously the chairman and/or director of several public and private companies.

Special responsibilities

Member of the Audit and Remuneration Committee

Interests in shares and options

2,000,000 ordinary shares in Pacific Enviromin Limited

Directorships held in other listed entities in the three years prior to the current year

Ask Funding Limited – Resigned 19 November 2009

Mr. Brian Jones B Bus Mgt, FAIM, FINSIA, FAICD - Resigned 22 October 2009

Mr. Christopher Dredge BAppSc, MBA, AusIMM - Resigned 15 June 2010

Mr. Sirjit Singh BEng(Chem), MEngSc, ABA - Resigned 30 October 2009

All directors were in office for the entire year and up to the date of this report unless otherwise noted.

DIRECTORS' REPORT

Company Secretary

Mr. Kevin Mischewski B Bus (Acc), CA

(Company Secretary since 30 June 2008, Joint Company Secretary since 29 February 2008.)

Chartered Accountant and Registered Tax Agent with extensive commercial experience in senior financial and management accounting roles. Previous positions include Chief Financial Officer, Company Secretary and Finance Director for large private manufacturing companies. Extensive experience with listed public company reporting and compliance requirements.

Meetings of Directors

The number of meetings of directors and meetings of committees of directors held during the year, and the number of meetings including circulating resolutions attended by each director was as follows:

	Directors' meetings	Audit Committee	Remuneration Committee
Number of meetings held	13	2	1
Number of meetings attended:			
Mr. John Bovard	8 of 9	**	**
Mr. Peter Ziegler	13	2	1
Mr. John Laurie	13	2	1
Mr. Paul Byrne	13	**	**
Mr. Brian Jones	3 of 3	1 of 1	**
Mr. Christopher Dredge	12 of 12	**	**
Mr. Sirjit Singh	4 of 4	**	**

** = Not a member of the relevant committee.

Indemnifying Officers or Auditor

During the financial year, the Company paid a premium in respect of a contract of insurance indemnifying any past, present, or future director, secretary, officer or employee of the Company against liability, which payment or agreement to pay does not contravene the Corporations Act (Cth) 2001. The contract of insurance prohibits disclosure of the terms of the policy and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any related body corporate against the liability incurred by such an officer.

Options

At the date of this report there were no unissued ordinary shares under options. No options were issued to directors, officers or employees during the year as part of their remuneration.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Sothertons Chartered Accountants for non-audit services provided during the year ended 30 June 2010:

	$
Taxation services	31,470

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 17 of the Annual Report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest dollar.

Remuneration report

Remuneration Policy

The remuneration policy ensures that contracts for services are reviewed on a regular basis and properly reflect the duties and responsibilities of the individuals concerned. The executive remuneration structure is based on a number of factors including length of service, relevant market conditions, knowledge and experience with the industry, organisational experience, performance of the Company and that the remuneration is competitive in retaining and attracting motivated people. There are no guaranteed pay increases included in the senior executives' contracts.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

• The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and the senior executives. The Board also reviews and ratifies the Remuneration Committee's recommendations on the remuneration of key management and staff.

• All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

• Performance incentives are generally only paid once predetermined key performance indicators have been met.

• The remuneration committee reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

Key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Key management personnel are paid the mandated statutory amount of their salary in the event of redundancy.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Performance-based Remuneration

Currently key management personnel remuneration comprises of a total fixed remuneration and does not comprise of any short-term incentive schemes or equity based remuneration, other than for an amount of $1,000,000 which may be payable to Mr.Paul Byrne, Mr.Christopher Dredge and their associates, subject to shareholder approval, by way of the issue of PEV shares on receipt of sufficient mining revenues from the Mantuan Downs mine.

Relationship between Remuneration Policy and Company Performance

The Board do not consider that there is a direct relationship between the remuneration policy of the company and company performance. Executive directors of the company are also substantial shareholders and as such are sufficiently motivated to improve company performance, covering financial and non-financial as well as short and long-term goals.

DIRECTORS' REPORT

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, among the five Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based.

Name	Position	**Proportions of elements of remuneration related to performance**	**Proportions of elements of remuneration not related to performance**
Directors			
Mr John Bovard	Chairman, Non-executive *(Appointed 30 November 2009)*	-	100%
Mr Peter Ziegler	Deputy chairman, Non-executive	-	100%
Mr John Laurie	Non-executive	-	100%
Mr Paul Byrne	Executive	-	100%
Mr Brian Jones	Non-executive *(Resigned 22 October 2009)*	-	100%
Mr Christopher Dredge	Executive *(Resigned 15 June 2010)*	-	100%
Mr Sirjit Singh	Executive *(Resigned 30 November 2009)*	-	100%
Other executives			
Mr Kevin Mischewski	Company Secretary, Financial Accountant	-	100%
Mr Kerrod Shannen	Supervisor Mantuan Downs	-	100%

The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment.

With effect from 1 June 2010 all directors' employment contracts were terminated by mutual consent. Replacement contracts of employment were introduced to provide directors with more flexible working arrangements to meet the varying workloads demands of the company.

Terms of employment require that the relevant group entity do not provide an executive contracted person with a minimum notice period prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate without notice. Statutory termination provisions apply. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-executive directors are subject to similar contracts requiring no notice to be given on termination. Statutory termination provisions apply. Termination payments are at the discretion of the remuneration committee.

Changes in Directors and Executives Subsequent to Year-end

Up to the date of signing of this report there have been no changes to directors and executives subsequent to year end.

Remuneration Details for the Year Ended 30 June 2010

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group and, to the extent different, the five Group executives and five company executives receiving the highest remuneration:

DIRECTORS' REPORT

Table of Benefits and Payments for the Year Ended 30 June 2010

		Short-term benefits	Post-employment benefits		
Specified Directors		**Base Salary & Fees $**	**Superannuation $**	**Other $**	**Total $**
Mr John Bovard	**2010**	**63,048**	**---**	**--**	**63,048**
	2009	--	--	--	
Mr Brian Jones	**2010**	**7,339**	**32,000**		**39,339**
	2009	40,000	85,000	—	125,000
Mr John Laurie	**2010**	**23,333**	**25,000**	**—**	**48,333**
	2009	—	49,167	—	49,167
Mr Paul Byrne	**2010**	**152,000**	**—**	**--**	**152,000**
	2009	150,000	—	181,818	331,818
Mr Christopher Dredge	**2010**	**99,000**	**—**	**—**	**99,000**
	2009	100,000	—	—	100,000
Mr Peter Ziegler	**2010**	**85,833**	**—**	**—**	**85,833**
	2009	80,000	—	—	80,000
Mr Sirjit Singh	**2010**	**--**	**62,500**	**—**	**62,500**
	2009	37,500	50,000	—	87,500-
Mr Kevin Mischewski	**2010**	**99,824**	**—**	**—**	**99,824**
	2009	82,907	—	—	82,907
Mr Kerrod Shannen	**2010**	**34,165**	**—**	**—**	**34,165**
	2009	76,538	—	—	76,538
Mr James Walters	**2010**	**--**	**—**	**—**	
	2009	57,590	—	—	57,590
Mr Desmond Brown	**2010**	**--**	**—**	**—**	
	2009	17,913	—	—	17,913
Total Remuneration	**2010**	**564,542**	**119,500**	**—**	**684,042**
	2009	642,448	184,167	181,81	1,008,433

Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

No members of key management personnel are entitled to receive cash bonuses, performance-related bonuses or share based payments as part of their remuneration package.

Options and Rights Granted

No members of key management personnel were granted options or rights during the financial year.

DIRECTORS' REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Bovard

John Graham Bovard

Chairman

Brisbane, 5 October 2010

SOTHERTONS
CHARTERED ACCOUNTANTS

PARTNERS
Linda E. Timms
Anthony C. Bryen
Geoffrey J. Read

ASSOCIATES
Sara J. Crevillén
James Theologidis
Susan J. Mortimer

Lead Auditor's Independence Declaration
To the Directors of Pacific Enviromin Limited

In accordance with Section 307C of the Corporations Act 2001 I declare that, to the best of my knowledge and belief, in relation to the audit of Pacific Enviromin Limited for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

Sothertons

Sothertons - Brisbane Partnership

A C Bryen

A C Bryen
Lead Audit Partner

Dated at Brisbane this fifth day of October 2010

IGAF WORLDWIDE

SOTHERTONS BRISBANE PARTNERSHIP

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Sothertons: An association of independent accounting firms throughout Australasia

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Pacific Enviromin Limited ("the Company") is responsible for Corporate Governance and protecting the rights and interests of Shareholders to whom it is accountable. In considering its approach to Corporate Governance, the Company has considered the ASX Corporate Governance Council's (2003) *"Principles of good corporate governance and best practice recommendations."* Pacific Enviromin Limited's Corporate Governance practices were in place throughout the year ended 30 June 2009 and the Company was substantially compliant with the Council's best practice recommendations.

The Company's position on the 10 Principles of good corporate governance and best practice recommendations is outlined in the following commentary:-

Principle 1. Lay solid foundations for management and oversight

The Company has a Board Charter, Remuneration Committee Charter and an Audit Committee Charter that clearly defines the respective roles and responsibilities of the Board and management. The Board Charter clearly indicates that the Board has input into the development of the Company's corporate strategy, understanding and monitoring the budget and the consideration of risk factors.

The Board delegates to the executive team the responsibility for the operation and administration of the Company and its subsidiaries ("the Group"). The Company has clearly formalised and disclosed the functions reserved for the Board and those delegated to management. The Board ensures that the members and management are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance. The Company Secretary reports directly to the Board.

The specific function and responsibilities of the Board include:

- reviewing and approving the strategic direction, performance objectives, policies and budgets;
- providing entrepreneurial leadership;
- appointing and removing the Chief Executive Officer (or equivalent);
- appointing and removing the Chief Financial Officer (or equivalent);
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring management's performance and ensuring appropriate human and financial resources are available;
- setting the Company's overall remuneration framework and assessing the performance of and compensation for senior management;
- enhancing and protecting the reputation of the Company; and
- reporting to Shareholders.

Principle 2. Structure the Board to add value

The Board does not believe that it needs a majority of independent directors as the Board's composition, size and commitment is adequate to discharge its responsibilities and duties to meet the objectives of the Group. The Company comprises of one executive director and three non-executive directors. The non-executive directors are considered by the Board to be independent.

Pacific Enviromin Limited does not have a Chief Executive Officer. However, the functions of the Chief Executive Officer are carried out by the Executive Director.

In accordance with the Principles of good corporate governance and best practice recommendations, the Independence of each of the directors is considered as follows:

CORPORATE GOVERNANCE STATEMENT

Name of Director	Position	Independence
Mr John Bovard	Non-executive Chairman	Considered independent
Mr. Peter Ziegler	Non-executive director	Considered independent
Mr. John Laurie	Non-executive director	Considered independent
Mr. Paul Byrne	Executive director	Not considered independent as employed in an executive capacity and is a substantial shareholder of the Company

The Board has adopted a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes. It is an effective Board that facilitates discussion, allows debate, adds value and ensures that the directors discharge their duties required by the law. The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense. Directors having a personal material interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

Due to its size and nature of business, the Company does not have a nomination committee. The Board decides the selection of members of the Board and makes recommendations to shareholders for election of Directors. In considering membership of the Board, directors take into account the appropriate skills and characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience for the present and future needs of the Company. Each Board member is responsible for assessing the necessary competencies of Board members to add value to the Company, reviewing the Board succession plans and evaluating the Board's performance.

Principle 3. Promote ethical and responsible decision making

Pacific Enviromin Limited is committed to ethical business practices, a safe workplace and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation.

The Company has implemented a Corporate Ethics Policy for the directors and other key executives designed to ensure proper dealing in the Company's securities, ensure practices are in place to maintain the confidence in the Company's integrity and ensure responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board has resolved the following policy for share trading by directors and senior officers:

1. The officers who are subject to this policy are all Directors of PEV and the Company Secretary and any other senior officer specified as such by the Board. (Designated Officers")

2. Any Designated Officer intending to trade PEV shares at any time must notify the Chairman at least 2 days prior to trading of his intention to buy or sell PEV shares, the number involved, and the price offered/asked.

3. Immediately the Designated Officer is notified that shares have been traded, they must notify the Chairman in writing of the trade. The Chairman will ensure that the Company Secretary prepares the Notification of Directors Holding for ASX/ASIC.

4. No trading is allowed in the period between the end of the ½ year or full year and the release of PEV's financial statements which occurs eight (8) weeks after the end of the period (the "blackout period")

5. No trading is allowed at any time if the director is in possession of information which is not available to an external shareholder, and which an independent person would consider to be material to the share price. If an officer is unsure of this materiality, they should discuss the position with the Chairman.

6. This restriction also applies to trading in the shares of another company, where the PEV Designated Officer is privy to inside information on that company by virtue of his position as an officer of PEV.

7. A standing PEV Board agenda item will be "Trading in PEV shares by Directors" under which officer's share trades for the previous period will be noted.

The Company endeavours to foster a culture requiring that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the spirit of the law and Company policies.

Principle 4. Safeguard integrity in financial reporting

The Company requires that the chief executive officer (or equivalent) and the chief financial controller (or equivalent) provide the Board a statement in writing that the Company's financial reports present fairly, in all material respects, and that practices are in place to the maintain confidence in the Company's integrity.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit Committee, which operates under a Charter. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit Committee. The Audit Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

All members of the Audit Committee are non-executive directors.

The members of the Audit Committee during the year were Mr. Peter Ziegler (Chairman of Audit Committee), and Mr. John Laurie. Details of the qualifications of the members of the Audit Committee and number of meeting held during the year are contained in the Directors' report.

Principle 5. Make timely and balanced disclosure

The Company has comprehensive procedures and policies designed to ensure compliance with ASX Listing Rule disclosure requirements and ensure accountability at the senior management and director level for that compliance. The executive directors are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The company secretary is responsible for all communications with the ASX.

Principle 6. Respect the rights of shareholders

The Company openly, regularly and in a timely manner empowers shareholders by:

- communicating effectively with them;

- giving them ready access to balanced and understandable information about the Company and corporate proposals; and
- making it easy for them to participate in General Meetings.

The Company will update its web site to promote efficient communication with its shareholders. The website includes copies of policies and charters, which are designed to enable compliance with ASX corporate governance best practices.

The auditors are invited to attend the Company's Annual General Meeting to answer shareholders queries.

Principle 7. Recognise and manage risk

The Board is responsible for risk management. The Audit Committee is also responsible for reviewing and managing risk and ensuring that the company has effective internal controls to deal with business process and risk management that will monitor the risks associated from both the internal and external environments. The size of the Company and the comprehensive nature of its monthly reporting systems have led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk.

The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) makes an annual statement in writing to the Board with respect to the internal controls and the company risk management policies and procedures.

Principle 8. Encourage enhanced performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. Directors were initially invited to join the Board on the basis of their experience and skills in relation to the Company's activities.

The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Pacific Enviromin Limited. The Board has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives, and designed to produce value for shareholders.

No formal review of the Board's performance was conducted during the year, however, the contributions of all directors is considered to be of a high level and adequate to discharge their duties in full.

Principle 9. Remunerate fairly and responsibly

It is the objective of Pacific Enviromin Limited to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are retention and motivation of key executives; and attraction of quality management to the Company.

The members of the Remuneration Committee during the year were Mr. Peter Ziegler (Chairman of Remuneration Committee), Mr. John Laurie and Mr. Brian Jones (Resigned 22 October 2009). Details of the qualifications of the members of the Remuneration Committee and number of meeting held during the year are contained in the Directors' report.

Pacific Enviromin Limited's polices relating to directors and senior executives remuneration and the level of their remuneration are set out in the Directors' Report and the notes to the Financial Report.

CORPORATE GOVERNANCE STATEMENT

Principle 10. Recognise the legitimate interests of stakeholders

Pacific Enviromin Limited recognises its legal and other obligations. It is the Company's policy to act in good faith and with integrity whilst dealings with company affairs. These responsibilities not only relate to shareholders, clients, customers and consumers but extend to the community as whole. The Company has developed a Corporate Ethics Policy which provides a guide to compliance with legal and other obligations to the Company's stakeholders. The Company is firmly committed to ethical business practices, a safe workplace and compliance with statutory and ethical obligations.

INCOME STATEMENTS

For the year ending 30 June 2010

	Note	Consolidated Group		Pacific Enviromin Limited	
		2010	2009	2010	2009
		$	$	$	$
Revenue	2	130,854	158,913	13,034	123,517
Changes in inventories of finished goods and work in progress		(17,707)	1,588	-	-
Raw materials and consumables used		(27,631)	(257,520)	-	-
Gain on debt forgiveness		-	140,522	-	-
Gain on acquisition of subsidiary		-	40,788	-	-
Employee benefits expense		(559,705)	(758,539)	(559,705)	(758,539)
Depreciation and amortisation expense		(226,709)	(186,795)	(16,805)	(9,680)
Exploration and evaluation		(2,358,107)	(49,337)	-	-
Finance costs		(76,395)	(54,569)	(2,576)	(1,374)
Impairment of intellectual property		-	(4,053,177)	-	-
Impairment of Investments		(68,922)	(956,823)	(1,050,010)	(5,000,010)
Impairment of loans receivable		-	(3,781)	(2,174,810)	(150,456)
Research and development cost recovery		-	87,551	-	-
Administration expenses		(658,087)	(1,145,117)	(615,264)	(860,535)
Other expenses		(13,519)	(50,272)	(239)	-
Profit before income tax	3	(3,926,928)	(7,086,568)	(4,406,375)	(6,657,077)
Income tax expense (benefit)	4	-	21,446	-	-
Profit/(Loss) from continuing operations		(3,926,928)	(7,065,122)	(4,406,375)	(6,657,077)
Profit/(Loss) from discontinued operations	5	(41,488)	138,782	-	-
Profit/(Loss) for the period		(3,968,416)	(6,926,340)	(4,406,375)	(6,657,077)
Profit/(Loss) attributable to:					
Members of the parent entity		(3,968,416)	(7,013,640)		
Non-controlling interest		-	87,300		
		(3,968,416)	(6,926,340)		
Earnings per share					
From continuing and discontinued operations:					
Basic earnings per share (cents)	9	(0.99)	(1.86)		
Diluted earnings per share (cents)		(0.99)	(1.86)		
From continuing operations:					
Basic earnings per share (cents)		(0.98)	(1.90)		
Diluted earnings per share (cents)		(0.98)	(1.90)		

The above income statements should be read in conjunction with the accompanying notes

STATEMENTS OF COMPREHENSIVE INCOME

For the year ending 30 June 2010

	Note	Consolidated Group		Pacific Enviromin Limited	
		2010	2009	2010	2009
		$	$	$	$
Profit/(Loss) for the period		(3,968,416)	(6,926,340)	(4,406,375)	(6,657,077)
Other comprehensive income					
Net gain on revaluation of land and buildings		-	-	-	-
Share of other comprehensive income of associates		-	-	-	-
Income tax relating to components of other comprehensive income		-	-	-	-
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period		(3,968,416)	(6,926,340)	(4,406,375)	(6,657,077)
Total comprehensive income attributable to:					
Members of the parent entity		(3,968,416)	(7,013,640)		
Non-controlling interest		-	87,300		
		(3,968,416)	(6,926,340)		

The above statements of comprehensive income should be read in conjunction with the accompanying notes

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2010

		Consolidated Group		Pacific Enviromin Limited	
		2010	2009	2010	2009
		$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	10	828,782	965,751	510,965	644,262
Trade and other receivables	11	62,476	241,051	59,068	130,189
Inventories	12	-	67,707	-	-
Other financial assets	13	85,733	25,734	35,000	-
Other assets	18	20,575	41,873	20,575	41,873
Total current assets		997,566	1,342,116	625,608	816,324
Non-current assets					
Trade and other receivables	11	-	-	138,995	2,151,968
Property, plant and equipment	15	541,092	1,159,812	59,762	63,811
Exploration and evaluation expenditure	16	1,056,603	3,334,107	-	-
Intangible assets	17	-	-	-	-
Other financial assets	13	-	50,000	1,000,000	2,050,010
Total non-current assets		1,597,695	4,543,919	1,198,757	4,265,789
Total assets		2,591,261	5,886,035	1,824,365	5,082,113
LIABILITIES					
Current liabilities					
Trade and other payables	19	316,931	132,733	308,356	121,497
Borrowings	20	96,745	176,675	48,359	47,808
Total current liabilities		413,676	309,408	356,715	169,305
Non-current liabilities					
Borrowings	20	98,988	486,831	-	-
Total non-current liabilities		98,988	486,831	-	-
Total liabilities		512,664	796,239	356,715	169,305
Net assets		2,082,597	5,089,796	1,467,650	4,192,808
EQUITY					
Issued capital	22	31,249,418	30,288,201	31,249,418	30,288,201
Retained earnings		(29,166,821)	(25,198,405)	(29,781,768)	(25,375,393)
Parent entity interest		2,082,597	5,089,796	1,467,650	4,912,808
Non-controlling interest		-	-	-	-
Total equity		2,082,597	5,089,796	1,467,650	4,912,808

The above statements of financial position should be read in conjunction with the accompanying notes

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

CONSOLIDATED	Note	Issued Capital Ordinary	Revaluation Surplus	Non-controlling Interests	Retained Earnings	Total
		$	$	$	$	$
Balance at 1 July 2008		27,230,680	6,671,104	(3,002,038)	(15,270,027)	15,629,719
Profit attributable to members of the parent entity		-	-	-	(7,103,640)	(7,103,640)
Profit attributable to non-controlling interests		-	-	87,300	-	87,300
Total other comprehensive income for the period		-	(6,671,104)	388	(388)	(6,671,104)
Share issued during the period		3,376,893	-	-	-	3,376,893
Transaction costs on share issue		(319,372)	-	-	-	(319,372)
Subtotal		30,288,201	-	(2,914,350)	(22,284,055)	5,089,796
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2009		30,288,201	-	(2,914,350)	(22,284,055)	5,089,796
Balance at 1 July 2009		30,288,201	-	(2,914,350)	(22,284,055)	5,089,796
Profit attributable to members of the parent entity		-	-	-	(3,968,416)	(3,968,416)
Profit attributable to non-controlling interests		-	-	-	-	-
Total other comprehensive income for the period		-	-	-	-	-
Share issued during the period		980,000	-	-	-	980,000
Transaction costs on share issue		(18,783)	-	-	-	(18,783)
Subtotal		31,249,418	-	(2,914,350)	(26,252,471)	2,082,597
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2010		31,249,418	-	(2,914,350)	(26,252,471)	2,082,597

The above statements of changes in equity should be read in conjunction with the accompanying notes

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

PACIFIC ENVIROMIN LIMITED	Note	Issued Capital Ordinary	Revaluation Surplus	Non-controlling Interests	Retained Earnings	Total
		$	$	$	$	$
Balance at 1 July 2008		27,230,680	-	-	(18,718,316)	8,512,364
Profit attributable to members of the parent entity		-	-	-	(6,657,077)	(6,657,077)
Profit attributable to non-controlling interests		-	-	-	-	-
Total other comprehensive income for the period		-	-	-	-	-
Share issued during the period		3,376,893	-	-	-	3,376,893
Transaction costs on share issue		(319,372)	-	-	-	(319,372)
Subtotal		30,288,201	-	-	(25,375,393)	4,912,808
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2009		30,288,201	-	-	(25,375,393)	4,912,808
Balance at 1 July 2009		30,288,201	-	-	(25,375,393)	4,912,808
Profit attributable to members of the parent entity		-	-	-	(4,406,375)	(4,406,375)
Profit attributable to non-controlling interests		-	-	-	-	-
Total other comprehensive income for the period		-	-	-	-	-
Share issued during the period		980,000	-	-	-	980,000
Transaction costs on share issue		(18,783)	-	-	-	(18,783)
Subtotal		31,249,418	-	-	(29,781,768)	1,467,650
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2010		31,249,418	-	-	(29,781,768)	1,467,650

The above statements of changes in equity should be read in conjunction with the accompanying notes

STATEMENTS OF CASH FLOW

For the year ended 30 June 2010

	Note	Consolidated Group		Pacific Enviromin Limited	
		2010	2009	2010	2009
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		64,494	16,957	-	-
Payments to suppliers and employees		(1,162,980)	(3,025,560)	(908,437)	(2,621,382)
Interest received		18,727	131,106	8,034	123,248
Finance costs		(76,395)	(54,569)	(2,576)	(1,374)
Income tax paid		-	21,446	-	-
Net cash (used in)/provided by operating activities	26a	(1,156,154)	(2,910,620)	(902,979)	(2,499,508)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investments		-	-	(35,000)	-
Proceeds from sale of non-current assets		521,451	-	-	-
Purchase of non-current assets		(14,493)	(1,098,781)	(14,032)	(49,430)
Loans to subsidiaries		-	-	(858,894)	(1,510,533)
Repayment of loans to subsidiaries		-	-	697,057	-
Net cash used in investing activities		506,958	(1,098,781)	(210,869)	(1,559,983)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		980,000	3,301,892	980,000	3,301,892
Proceeds from borrowings		-	600,358	48,945	-
Repayment of borrowings		(467,773)	(347,973)	(48,394)	(19,014)
Net cash used in/(provided by) financing activities		512,227	3,554,277	980,551	3,282,878
Net increase/(decrease) in cash held		(136,969)	(455,124)	(133,297)	(776,613)
Cash and cash equivalents at beginning of period		965,751	1,420,875	644,262	1,420,875
Cash and cash equivalents at end of period	10	828,782	965,751	510,965	644,262

The above cash flow statements should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

1 BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

This financial report has been prepared on a going concern basis as the Directors believe that the company and the consolidated entity will be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. The continuation of the company and the consolidated entity as a going concern is dependent upon their ability to achieve the following objectives:

- Exploitation of the Mantuan Downs bentonite resource.
- Development and exploitation of the coal tenements
- Capital raising

However, should the anticipated sales of products and capital raisings not generate sufficient revenues and cash flows as expected, the company and consolidated entity may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

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(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Pacific Enviromin Limited at the end of the reporting period. A controlled entity is any entity over which Pacific Enviromin Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(n)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(c) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Tax consolidation

Pacific Enviromin Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2009. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

ny accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(g) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	4%
Leasehold improvements	20%
Plant and equipment	10–40%
Leased plant and equipment	12.5--20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(h) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(j) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;

- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) Impairment of Assets

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(l) Investments in Associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the reporting dates of the Group and the associate are different, the associate prepares, for the Group's use, financial statements as of the same date as the financial statements of the Group with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

(m) Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled assets have been included in the appropriate line items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 14.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting (refer to Note 1(l) for details) in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account at cost.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group however will recognise the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(n) Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest,
- over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (*proportionate interest method*). The Group determines which method to adopt for each acquisition.

Under the *full goodwill method*, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have an indefinite life and are carried at cost less any impairment losses.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(o) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(r) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(s) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST)

(t) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(u) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(w) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(x) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(y) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1.

(z) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgments

Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $1,056,603.

Intangible assets

The Group capitalises expenditure relating to a class of intangible assets where it is considered likely to be recoverable. The useful lives of these intangible assets are assessed to be either finite or indefinite. Such capitalised expenditure is carried at the end of the reporting period at $Nil.

(aa) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Pacific Enviromin Limited.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- If the Group holds less than 100% of the equity interests in an acquiree and the business combination results in goodwill being recognised, the Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group elects which method to adopt for each acquisition.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(bb) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- o simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- o simplifying the requirements for embedded derivatives;
- o removing the tainting rules associated with held-to-maturity assets;
- o removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- o allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- o reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - a. the objective of the entity's business model for managing the financial assets; and
  - b. the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends
AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

NOTE 2: REVENUE AND OTHER INCOME

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Revenue from Continuing Operations:					
Sales revenue:					
— sale of goods		29,495	27,807	-	-
Other revenue:					
— interest received		18,727	131,106	8,034	123,248
— government subsidies received		8,772	-	-	-
— rental revenue		5,000	-	5,000	-
Total Revenue		**61,994**	**158,913**	**13,034**	**123,248**
Other Income					
— gain on disposal of property, plant and equipment		68,860	-	-	269
Total revenue and other income from continuing operations		**130,854**	**158,913**	**13,034**	**123,517**
Attributable to members of the parent entity		130,854	158,913	13,034	123,517

NOTE 3: PROFIT FOR THE YEAR

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
a. **Expenses**					
Cost of sales		45,338	255,932	-	-
Interest expense on financial liabilities not at fair value through profit or loss		76,395	53,985	2,576	1,374
Impairment of non-current investments – Bad and doubtful debts:					
— trade receivables		10,101	-	5,500	-
Write-off of capitalised exploration expenditure		2,358,107	49,337	-	-
Write-down of inventories to net realisable value		50,000	-	-	-
b. **Significant Revenue and Expenses**					
The following significant revenue and expense items are relevant in explaining the financial performance:					
Write-down of capitalised exploration expenditure		2,358,107	49,337	-	-
Impairment of investments in subsidiaries		68,922	956,823	1,050,010	5,000,010

NOTE 4: INCOME TAX EXPENSE

		Note	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
a.	The components of tax expense comprise:					
	Current tax		-	21,446	-	-
	Deferred tax	21	(491,855)	(20,476)	(958,560)	(552,192)
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)		(1,178,078)	(1,321,913)	(2,125,970)	(1,997,123)
	Add:					
	Tax effect of:					
	— non-deductible depreciation and amortisation		54,975	-	56,038	-
	— other non-allowable items		33,422	11,116	23,602	4,953
	— write-downs to recoverable amounts		707,432	1,304,886	1,518,935	1,545,140
	Less:					
	Tax effect of:					
	— other allowable items		(109,626)	(14,565)	(431,165)	(105,162)
	— tax losses transferred from controlled entities					
	Recoupment of prior year tax losses not previously brought to account					
	Income tax attributable to entity		(491,855)	(20,476)	(958,560)	(552,192)
	The applicable weighted average effective tax rates are as follows:		**12.53%**	**(0.46%)**	**(13.53%)**	**(8.29%)**

NOTE 5: DISCONTINUED OPERATIONS

On 22 October 2009 the Groups transferred control and all of its equity interest in Ironbar Pty Ltd to the outside equity interest holders. By effecting the transfer the Group is relieved from its ongoing obligation to fund the maintenance of the technology patents and to fund the ongoing development costs of the Ironbar project.

NOTE 6: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2010.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2010 $	2009 $
Short-term employee benefits	**564,542**	823,629
Post-employment benefits	**119,500**	184,167
	684,042	1,007,796

KMP Options and Rights Holdings

No options over ordinary shares were held by any KMP of the Group during the financial year.

KMP Shareholdings

The number of ordinary shares in Pacific Enviromin Limited held by each KMP of the Group during the financial year is as follows:

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Mr Brian Jones	8,449,028	-	-	(6,363,853)	2,085,175
Mr Paul Byrne	40,443,575	-	-	1,145,369	41,588,944
Mr Christopher Dredge	41,816,304	-	-	(5,700,000)	36,116,304
Mr John Laurie	2,000,000	-	-	-	2,000,000
Mr Peter Ziegler	233,333	-	-	5,000,000	5,233,333
Mr Sirjit Singh	2,500,000	-	-	(2,500,000)	-
Mr Kevin Mischewski	58,334	-	-	-	58,334

30 June 2009	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Mr Brian Jones	8,449,028	-	-	-	8,449,028
Mr Paul Byrne	40,443,575	-	-	-	40,443,575
Mr Christopher Dredge	41,816,304	-	-	-	41,816,304
Mr John Laurie	1,850,000	-	-	150,000	2,000,000
Mr Peter Ziegler	200,000	-	-	33,333	233,333
Mr Sirjit Singh	-	-	-	2,500,000	2,500,000
Mr Kevin Mischewski	50,000	-	-	8,334	58,334

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 28: Related Party Transactions.

NOTE 7: AUDITORS' REMUNERATION

		Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Remuneration of the auditor of the parent entity for:					
—	auditing or reviewing the financial statements	67,125	66,000	67,125	66,000
—	taxation services	16,470	15,000	16,470	15,000

NOTE 8: DIVIDENDS

No dividends of the parent entity or any entity within the consolidated entity have been declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30 June 2010.

NOTE 9: EARNINGS PER SHARE

		Consolidated Group	
		2010 $	2009 $
a.	Reconciliation of earnings to profit or loss		
	Profit	(3,296,928)	(7,065,122)
	Profit attributable to minority equity interest	-	-
	Earnings used to calculate basic EPS	(3,296,928)	(7,065,122)
	Earnings used in the calculation of dilutive EPS	(3,296,928)	(7,065,122)
b.	Reconciliation of earnings to profit or loss from continuing operations		
	Profit from continuing operations	(3,296,928)	(7,065,122)
	Profit attributable to minority equity interest in respect of continuing operations	-	-
	Earnings used to calculate basic EPS from continuing operations	(3,926,928)	(7,065,122)
	Earnings used in the calculation of dilutive EPS from continuing operations	(3,926,928)	(7,065,122)
c.	Reconciliation of earnings to profit or loss from discontinuing operations		
	Profit from discontinuing operations	(41,488)	138,782
	Profit attributable to minority equity interest	-	-
	Earnings used to calculate basic EPS from discontinuing operations	(3,968,416)	(6,926,340)
		No.	**No.**
d.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	402,437,026	372,845,904
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of dilutive converting preference shares on issue	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	402,437,026	372,845,904
e.	Diluted earnings per share is not reflected for discontinuing operations as the result is anti-dilutive in nature	-	-
f.	Anti-dilutive options on issue not used in dilutive EPS calculation	-	-

NOTE 10: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Cash at bank and in hand		497,215	143,508	497,215	129,143
Short-term bank deposits		331,567	822,243	13,750	515,119
		828,782	**965,751**	**510,965**	**644,262**

The effective interest rate on short-term bank deposits was 3.4% (2009: 3.7%); these deposits have an average maturity of 30 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents		828,782	965,751	510,965	644,262
Bank overdrafts		-	-	-	-
		828,782	**965,751**	**510,965**	**644,262**

NOTE 11: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
Current					
Trade receivables		6,101	16,900	5,500	1,500
Provision for impairment	11a(i)	(6,101)	-	(5,500)	-
Other receivables		50,290	224,151	46,882	128,689
Amounts receivable from:					
— other related parties		12,186	-	12,186	-
Total current trade and other receivables		**62,476**	**241,051**	**59,068**	**130,189**
Non-current					
Amounts receivable from:					
— wholly-owned entities		-	-	11,271,517	11,104,679
— provision for impairment – wholly-owned subsidiaries	11a(iii)	-	-	(11,132,522)	(8,952,711)
Total non-current trade and other receivables		**-**	**-**	**138,995**	**2,151,968**

a. **Provision For Impairment of Receivables**

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

		Opening Balance	Charge for the Year	Amounts Written Off	Closing Balance
		1.7.2008			30.6.2009
		$	$	$	$
	Consolidated Group				
(i)	Current trade receivables	-	-	-	-
	Parent Entity				
(ii)	Current trade receivables	-	-	-	-
(iii)	Non-current wholly-owned subsidiaries	8,868,556	150,456	(66,301)	8,952,711

		Opening Balance	Charge for the Year	Amounts Written Off	Closing Balance
		1.7.2009			30.6.2010
		$	$	$	$
	Consolidated Group				
(i)	Current trade receivables	-	6,101	-	6,101
	Parent Entity				
(ii)	Current trade receivables	-	5,500	-	5,500
(iii)	Non-current wholly-owned subsidiaries	8,952,711	2,174,810	(5,000)	11,132,522

b. **Credit Risk — Trade and Other Receivables**

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Consolidated Group	Gross amount $	Past due and impaired $	Past due but not impaired (days overdue) < 30 $	31–60 $	61–90 $	> 90 $	Within initial trade terms $
2010							
Trade and term receivables	6,101	(6,101)	-	-	-	-	-
Other receivables	62,476	-	-	-	-	-	62,476
Total	**68,577**	**(6,101)**	**-**	**-**	**-**	**-**	**62,476**
2009							
Trade and term receivables	16,900	-	-	-	-	-	16,900
Other receivables	224,151	-	-	-	-	-	224,151
Total	**241,051**	**-**	**-**	**-**	**-**	**-**	**241,051**

Parent Entity	Gross amount $	Past due and impaired $	Past due but not impaired (days overdue) < 30 $	31–60 $	61–90 $	> 90 $	Within initial trade terms $
2010							
Trade and term receivables	5,500	(5,500)	-	-	-	-	-
Other receivables	11,330,585	11,132,522	-	-	-	-	138,995
Total	**11,336,085**	**11,138,022**	**-**	**-**	**-**	**-**	**138,995**
2009							
Trade and term receivables	1,500	-	-	-	-	-	1,500
Other receivables	11,233,368	8,952,711	-	-	-	-	2,280,657
Total	**11,234,868**	**8,952,711**	**-**	**-**	**-**	**-**	**2,282,157**

NOTE 12: INVENTORIES

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
CURRENT					
At cost					
Raw materials and stores		-	48,398	-	-
Finished goods		-	19,309	-	-
Total		-	**67,707**	-	-

NOTE 13: OTHER FINANCIAL ASSETS

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
CURRENT					
Security deposits		85,733	25,734	35,000	-
Total current		**85,733**	**25,734**	**35,000**	**-**
NON-CURRENT					
Shares in subsidiaries		-	50,000	1,000,000	2,050,010
Total non-current		**-**	**50,000**	**1,000,000**	**2,050,010**

NOTE 14: CONTROLLED ENTITIES

a. **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)* 2010	Percentage Owned (%)* 2009
Subsidiaries of Pacific Enviromin Limited:			
Area Coal Pty Ltd	Australia	100	-
Ipoh Pacific Resources Pty Ltd	Australia	100	100
Mining Investments One Pty Ltd	Australia	100	100
Mining Investments Two Pty Ltd	Australia	100	100
Mining Investments Three Pty Ltd	Australia	100	100
Mining Investments Four Pty Ltd	Australia	100	100
Mining Investments Six Pty Ltd	Australia	100	100
Kokstad Mining Pty Ltd	Australia	100	100
IPR Operations Pty Ltd	Australia	100	100
Ipoh Pacific Pty Ltd	Australia	100	100
Inter-ironbar Pty Ltd	Australia	100	100
Inter-medteq Pty Ltd	Australia	100	100
Inter-whistle Pty Ltd	Australia	100	100
Eyebionics Pty Ltd	Australia	100	100
Home and Garden Waterwise Pty Ltd	Australia	100	100
Ironbar Pty Ltd	Australia	-	49

Medteq Holdings Pty Ltd	Australia	50	50
Medteq Innovations Pty Ltd	Australia	50	50
SportzWhistle Pty Ltd	Australia	61.2	61.2
SW2 Pty Ltd	Australia	61.2	61.2

* Percentage of voting power is in proportion to ownership

b. **Acquisition of Controlled Entities**

	Note	Acquiree's carrying amount $	Fair value $
Purchase consideration:			
— Cash			56,733
Less identifiable assets acquired and liabilities assumed:			
Receivables (i)		401	-
Property, plant and equipment			
Capitalised exploration expenditure		**-**	56,733
Payables		**(56,733)**	-
		(56,332)	56,733
Goodwill			-

i. The directors believe the receivables are not fully recoverable and expensed the carrying amount immediately on acquistion.

Revenue of Area Coal Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 22 October 2009 amounted to $Nil. Loss of Area Coal Pty Ltd included in consolidated profit of the Group since the acquisition date amounted to $671.

Had the results of Area Coal Pty Ltd been consolidated from 1 July 2009, revenue of the consolidated group would have been $130,854 and consolidated loss would have been $4,013,429 for the year ended 30 June 2010.

Included within Administration Expenses in the statement of comprehensive income are acquisition related costs totalling $2,521. The costs include advisory and legal fees.

c. **Disposal of Controlled Entities**

On 22 October 2010, the parent entity disposed of its 49% interest in Ironbar Pty Ltd. An operating profit of $Nil after income tax was attributable to members of the parent entity from the disposal. No remaining interest in the entity was held by any member of the consolidated entity.

d. **Controlled Entities with Ownership Interest of 50% or Less**

The parent entity holds 50% of the ordinary shares of Medteq Holdings Pty Ltd. Pacific Enviromin Limited is required to make all the financial and operating policy decisions of Medteq Holdings Pty Ltd and to ensure that those policies are consistent with the policies of the economic entity.

The parent entity holds 50% of the ordinary shares of Medteq Innovations Pty Ltd. Pacific Enviromin Limited is required to make all the financial and operating policy decisions of Medteq Innovation Pty Ltd and to ensure that those policies are consistent with the policies of the economic entity.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
LAND AND BUILDINGS					
Buildings at cost		148,924	148,924	-	-
Less accumulated depreciation		(6,463)	(506)	-	-
Total Buildings		142,461	148,418	-	-
Total Land and Buildings		142,461	148,418	-	-
PLANT AND EQUIPMENT					
Plant and equipment:					
At cost		296,188	452,852	106,831	97,559
Accumulated depreciation		(128,032)	(110,403)	(70,878)	(60,061)
Accumulated impairment losses		-	-	-	-
		168,156	342,449	35,953	37,498
Leasehold improvements					
At cost		31,194	27,710	31,194	27,710
Accumulated amortisation		(7,385)	(1,397)	(7,385)	(1,397)
		23,809	26,313	23,809	26,313
Leased plant and equipment					
Capitalised leased assets		317,428	773,728	-	-
Accumulated depreciation		(110,762)	(131,096)	-	-
		206,666	642,632	-	-
Total Plant and Equipment		398,631	1,011,394	59,762	63,811
Total Property, Plant and Equipment		541,092	1,159,812	59,762	63,811

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Buildings $	Leasehold Improve-ments $	Plant and Equipment $	Leased Plant and Equipment $	Total $
Consolidated Group:					
Balance at 1 July 2008	**148,924**	**27,710**	**101,862**	**228,872**	**507,368**
Additions			296,970	600,000	896,970
Disposals			(1,095)	(56,636)	(57,731)
Depreciation expense	(506)	(1,397)	(55,288)	(129,604)	(186,795)
Balance at 30 June 2009	**148,418**	**26,313**	**342,449**	**642,632**	**1,159,812**
Additions		3,484	9,452		12,936
Disposals			(118,543)	(286,404)	(404,947)
Depreciation expense	(5,957)	(5,988)	(65,202)	(149,562)	(226,709)
Balance at 30 June 2010	**142,461**	**23,809**	**168,156**	**206,666**	**541,092**

	Buildings	Leasehold Improve-ments	Plant and Equipment	Leased Plant and Equipment	Total
	$	$	$	$	$
Parent Entity:					
Balance at 1 July 2008	**-**	**27,710**	**27,675**	**-**	**55,385**
Additions	-	-	19,201	-	19,201
Disposals	-	-	(1,095)	-	(1,095)
Depreciation expense	-	(1,397)	(8,283)	-	(9,680)
Balance at 30 June 2009	**-**	**26,313**	**37,498**	**-**	**63,811**
Additions	-	3,484	9,575	-	13,059
Disposals	-				-
Depreciation expense	-	(5,988)	(10,817)	-	(16,805)
Balance at 30 June 2010	**-**	**23,809**	**35,953**	**-**	**59,762**

NOTE 16: EXPLORATION EXPENDITURE CAPITALISED

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Exploration and evaluation phases	1,056,603	3,334,107	-	-
Total	**1,056,603**	**3,334,107**	**-**	**-**

NOTE 17: INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Goodwill				
Cost	313,355	313,355	-	-
Accumulated impaired losses	(313,355)	(313,355)	-	-
Net carrying value	**-**	**-**	**-**	**-**
Trademarks and licences				
Cost	6,779,910	6,779,910	-	-
Accumulated impairment	(6,779,910)	(6,779,910)	-	-
Net carrying value	**-**	**-**	**-**	**-**
Research and development costs				
Cost	-	(116,129)	-	-
Capitalised research and development costs written back on disposal of the underlying asset	-	(250,474)	-	-
Accumulated impairment	-	366,603	-	-
Net carrying value	**-**	**-**	**-**	**-**
Total intangibles	**-**	**-**	**-**	**-**

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an infinite life.

NOTE 18: OTHER ASSETS

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
CURRENT				
Prepayments	20,575	41,873	20,575	41,873
Total	**20,575**	**41,873**	**20,575**	**41,873**

NOTE 19: TRADE AND OTHER PAYABLES

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
CURRENT					
Unsecured liabilities:					
Trade payables		261,814	90,919	253,239	79,683
Amounts payable to:					
— key management personnel related entities		55,117	41,814	55,117	41,814
Total		**316,931**	**132,733**	**308,356**	**121,497**

NOTE 20: BORROWINGS

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$000	$000	$000	$000
CURRENT					
Unsecured liabilities:					
Related party loans		-	15,000	36,827	40,788
Secured liabilities:					
Lease liability	20a	85,213	154,655	-	-
Mortgage loans	20a	11,532	7,020	11,532	7,020
Total current borrowings		**96,745**	**176,675**	**48,359**	**47,808**
NON-CURRENT					
Secured liabilities:					
Lease Liability	20a	98,988	486,831	-	-
Total non-current borrowings		**98,988**	**486,831**	**-**	**-**
Total borrowings		**195,733**	**663,506**	**-**	**-**

a. **Total current and non-current secured liabilities:**

Lease Liability	184,201	641,486	-	-
Mortgage loans	11,532	7,020	11,532	7,020
	195,733	**648,506**	**11,532**	**7,020**

c. **Collateral Provided**

Lease liabilities are secured by the underlying leased assets.

Mortgage liabilities are secured by the underlying asset

NOTE 21: TAX

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2009 $	2008 $
CURRENT				
Income Tax Payable	-	-	-	-

NON-CURRENT

Consolidated Group

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur:

— temporary differences $2,288,025 (2009: $1,786,543)

— tax losses: operating losses $6,314,209 (2009: $5,822,354)

— tax losses: capital losses $812,721 (2009: $812,721)

Parent Entity

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur:

— temporary differences $5,884,292 (2009: $5,283,140)

— tax losses: operating losses $4,230,579 (2009: $3,872,663)

— tax losses: capital losses $161,674 (2009: $161,674)

NOTE 22: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
446,793,926 (2009: 379,964,796) FULLY PAID ORDINARY SHARES	31,249,418	30,288,201	31,249,418	30,288,201

	Consolidated Group		Parent Entity	
	2010 No.	2009 No.	2010 No.	2009 No.
a. **Ordinary Shares**				
At the beginning of reporting period	**379,964,796**	**321,529,214**	**379,964,796**	**321,529,214**
Shares issued during the year				
— 14/07/2008	-	35,894,537	-	35,894,537
— 28/07/2008	-	19,130,331	-	19,130,331
— 8/12/2008	-	416,667	-	416,667
— 16/03/2009	-	2,994,047	-	2,994,047
— 30/11/2009	10,000,000	-	10,000,000	-
— 11/12/2009	4,000,000	-	4,000,000	-
— 14/12/2009	10,000,000	-	10,000,000	-
— 21/12/2009	2,352,941	-	2,352,941	-
— 15/02/2010	7,142,857	-	7,142,857	-
— 15/4/2010	16,666,665	-	16,666,665	-
— 8/06/2010	16,666,667	-	16,666,667	-
At the end of the reporting period	**446,793,926**	**379,964,796**	**446,793,926**	**379,964,796**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. **Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratio's for the year ended 30 June 2010 and 30 June 2009 are as follows:

	Note	**Consolidated Group**		**Parent Entity**	
		2010 $	**2009 $**	**2010 $**	**2009 $**
Total borrowings	24,26	512,664	796,239	356,715	169,305
Less cash and cash equivalents	10	828,782	965,751	510,965	644,262
Net debt		(316,118)	(169,512)	(154,250)	(474,957)
Total equity		2,082,597	5,089,796	1,467,650	4,912,808
Total capital		1,766,479	4,920,284	1,313,400	4,437,851
Gearing ratio		**(18%)**	**(3%)**	(12%)	(11%)

NOTE 23: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
a. **Finance Lease Commitments**					
Payable — minimum lease payments:					
— not later than 12 months		100,327	206,243	-	-
— between 12 months and 5 years		102,327	529,761	-	-
— greater than 5 years		-	-	-	-
Minimum lease payments		202,654	736,004	-	-
Less future finance charges		17,453	94,518	-	-
Present value of minimum lease payments		**184,201**	**641,486**	**-**	**-**
b. **Operating Lease Commitments**					
Non-cancellable operating leases contracted for but not capitalised in the financial statements.					
Payable — minimum lease payments:					
— not later than 12 months		95,284	53,900	95,284	53,900
— between 12 months and 5 years		80,932	28,900	80,932	28,900
— greater than 5 years		-	-	-	-
Total		**176,216**	**82,800**	**176,216**	**82,800**

The property leases are non-cancellable lease with a 1 and 3 year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by the lower of CPI or 4.5% per annum. The leases allows for subletting of all lease areas.

c. **Exploration and Evaluation Expenditure Commitments**

The consolidated Group has certain obligations to perform exploration work and outlay minimum amounts of money in order to maintain the current rights of tenure over its exploration tenements. These outlays are subject to renegotiation on expiry of the leases or when application for a mining lease is made and have not been provided for in the financial statements.

Total expenditure commitments at balance date and not provided for in the financial statements are approximately:

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Payable:					
— not later than 12 months		93,483	278,541	-	-
— between 12 months and 5 years		771433	-	-	-
— greater than 5 years		-	-	-	-
Total		**864,917**	**278,541**	**-**	**-**

NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Mantuan Downs bentonite mining operations	1,000,000	1,000,000	1,000,000	1,000,000

On 29 November 2006 Pacific Enviromin Limited acquired 100% of Ipoh Pacific Resources Pty Ltd and its associated interests in the Mantuan Downs bentonite resource.

Under an agreement with the vendors of Ipoh Pacific Resources Pty Ltd and subject to shareholder approval a payment of $1,000,000 is to be made to the vendors by way of the issue of Pacific Enviromin Limited shares.

The payment is contingent upon Pacific Enviromin Limited receiving sufficient revenue from ongoing operation of the Mantuan Downs bentonite mine.

NOTE 25: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of resource category and technology investments. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar

Types of products and services by segment

i. *Mining exploration and evaluation*

The mining exploration and evaluation segement seeks to identify prospective resource areas, secure tenure over the relevant tenments and mange the exploration and evaluation process.

ii. *Technology investments*

Technology investment operations are largely dormant with focus being maintained on retain the rights to secured technologies.

iii. *Bentonite Mining*

The bentonite mining segment mines for bentonite.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of direct operating costs within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. **Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities
- Intangible assets
- Discontinuing operations

— Retirement benefit obligations

f. **Comparative information**

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

i. Segment performance

	Exploration	Bentonite Mining	Technolog y	All Other Segments	Total
2010	**$**	**$**	**$**	**$**	**$**
Revenue					
External sales	-	29,495	-	-	**29,495**
Inter-segment sales	-	-	-	-	-
Interest revenue	-	10,693	-	**8,034**	**18,727**
Government subsidies received	-	8,772	-	-	**8,772**
Other revenue	-	-	-	**5,000**	**5,000**
Total segment revenue	-	48,960	-	**13,034**	**61,994**
Total group revenue					**61,994**
Segment net profit before tax	**1,233**	**(100,847)**	**(2,814)**	**(1,167,184)**	**(1,269,613)**
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Impairment of property, plant and equipment					(1,710,807)
Ii Unallocated items					
— Finance costs					(2,576)
— Other					(943,932)
Net profit before tax from continuing operations					**(3,926,928)**
2009					
Revenue					
External sales	-	27,307	500	-	27,807
Inter-segment sales	-	-	-	-	-
Interest revenue	-	7,125	732	123,249	131,106
Total segment revenue	**-**	**34,432**	**1,232**	**124,249**	**158,913**
Total group revenue					**158,913**
Segment net profit before tax		**(752,502)**	**(4,823,974)**	**(1,628,485)**	**(7,073,855)**
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Impairment of property plant and equipment					
ii. Unallocated items					
— Finance costs					(53,985)
— Other					
Net profit before tax from continuing operations					**(7,127,840)**

2010	Exploration $	Bentonite Mining $	Technology $	All Other Segments $	Total $
Segment assets					
Segment asset increases for the period					
— capital expenditure	56,603	-	-	-	56,603
— acquisitions	56,733	-	-	-	56,733
	111,336	-	-	-	111,336
Included in segment assets are:					
Capitalised exploration and evaluation	111,336	1,000,000	-	-	1,111,336
Property, plant and equipment	-	481,329	-	-	481,329
Reconciliation of segment assets to group assets					
Unallocated assets:					998,596
Total group assets					**2,591,261**
2009					
Segment assets					
Segment asset increases for the period					
— capital expenditure	-	1,027,373	-	-	1,027,373
— acquisitions	-	-	-	-	-
	-	1,027,373	-	-	1,027,373
Included in segment assets are:					
Capitalised exploration and evaluation	-	3,334,107	-	-	3,334,107
Property, plant and equipment	-	1,095,999	-	-	1,095,999
Reconciliation of segment assets to group assets					
Unallocated assets:					1,455,929
Total group assets					**5,886,035**

iii. Segment liabilities

	Exploration $	Bentonite Mining $	Technology $	All Other Segments $	Total $
2010					
Segment liabilities	-	195,733	-	-	195,733
Reconciliation of segment liabilities to group liabilities					
Other financial liabilities					316,931
Total group liabilities					**512,664**
2009					
Segment liabilities	-	641,486	-	-	641,486
Reconciliation of segment liabilities to group liabilities					
Other financial liabilities					154,753
Total group liabilities					**796,239**

NOTE 26: CASH FLOW INFORMATION

		Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
a.	**Reconciliation of Cash Flow from Operations with Profit after Income Tax**				
	Profit after income tax	3,968,416	6,926,340	4,406,375	6,657,077
	Non-cash flows in profit				
	Amortisation	-	-	-	-
	Depreciation	226,709	186,795	16,805	9,680
	Net gain on disposal of property, plant and equipment	(68,860)	-	-	-
	Impairment loss	50,000	4,859,478	3,224,820	5,000,000
	Capital raising costs	(18,783)	(294,371)	(18,783)	(294,371)
	Other	(46,087)	-	1,276	-
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
	(Increase)/decrease in trade and term receivables	178,575	46,627	71,121	(107,157)
	(Increase)/decrease in prepayments	21,298	(26,259)	21,298	(26,259)
	(Increase)/decrease in inventories	67,707	(1,588)	-	-
	Increase/(decrease) in trade payables and accruals	184,198	(816,835)	186,859	(424,324)
	Increase/(decrease) in exploration and evaluation expenditure	2,277,504	61,873	-	-
	Increase/(decrease) in financial assets	(59,999)	-	-	-
	Cash flows from operations	**(1,156,154)**	**(2,910,620)**	**(902,979)**	**(2,499,508)**

b.	**Acquisition of Entities**				
	During the year a 100% ownership interest in Area Coal Pty Ltd was acquired. Details of this transaction are:				
	Purchase consideration	56,733	-	56,733	-
	Consisting of:				
	— Cash consideration	56,733	-	56,733	-
	Total consideration	56,733	-	56,733	-
	Cash consideration	56,733	-	56,733	-
	Amount due under contract of sale	-	-	=	-
	Net cash paid	56,733	-	56,733	-
	Assets and liabilities held at acquisition date:				
	Payables	56,733	-	56,733	-

Information regarding the acquisitions, including the profit since acquisition, is disclosed in Note 19.

NOTE 27: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances that have significantly affected, or may affect, the company's operations in future financial years, or the company's state of affairs during future financial years occurred after balance date.

NOTE 28: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
d. **Key Management Personnel**				
The office premises occupied by Pacific Enviromin Limited are sub-let from a company owned by Mr Paul Byrne. Pacific Enviromin Limited provides loan funds to enable the company to meet it's short term working capital requirements. These loan funds are offset against rent amounts payable.				
- Rental amounts paid	9,810	-	9,810	-
- unsecured loan receivable	12,186	-	12,186	-

NOTE 29: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

Financial Risk Management Policies

The Board of Directors, amongst other issues, monitor and manage financial risk exposures of the Group. The Board has monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to identified areas of risk.

The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, and equity price risk

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise cleared as being financially sound.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 11.b.

Credit risk related to balances with banks and other financial institutions is managed by management in accordance with approved Board policy. The counterparty to these financial assets are large financial insitutions with strong credit ratings. The credit quality of these financial assets that are neither past due nor impaired is considered strong.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The contractual maturity of financial liabilities is set out in detail in Note 23.

c. Market Risk

Market risk arises from the use of interest bearing financial, tradeable and foreign currency instruments. It is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is exposed to earnings volatility on floating rate instruments and is limited to its cash and cash equivalent assets.

As at 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Post Tax Profit	**Consolidated Group Higher/(Lower)**		**Parent Entity Higher/(Lower)**	
	2010	**2009**	**2010**	**2009**
+1.00% (100 basis points)	4,682	32,776	2,009	30,812
-1.00% (100 basis points)	(4,682)	(32,777)	(2009)	(30,812)

Equity	**Consolidated Group Higher/(Lower)**		**Parent Entity Higher/(Lower)**	
	2010	**2009**	**2010**	**2009**
+1.00% (100 basis points)	4,682	32,776	2,009	30,812
-1.00% (100 basis points)	(4,682)	(32,777)	(2009)	(30,812)

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 23 to 65, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:
    a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
    b. the financial statements and notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view;

3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

J Bovard

John Bovard

Chairman

Dated this 5th day of October 2010

PARTNERS
Linda E. Timms
Anthony C. Bryen
Geoffrey J. Read

ASSOCIATES
Sara J. Crevillén
James Theologidis
Susan J. Mortimer

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PACIFIC ENVIROMIN LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Pacific Enviromin Limited (the company) and Pacific Enviromin Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Sothertons: An association of independent accounting firms throughout Australasia

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Pacific Enviromin Limited and Pacific Enviromin Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Inherent Uncertainty

Without qualification to the statement above, attention is drawn to the following matters:

Continuation as a going Concern

As described in Note 1 "Going Concern" there is significant uncertainty whether the company and the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of the company and the consolidated entity does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Pacific Enviromin Limited for the year ended 30 June 2010, complies with s 300A of the *Corporations Act 2001*.

Sothertons

Sothertons - Brisbane Partnership

A C Bryen

A C Bryen
Partner

Dated at Brisbane this fifth day of October 2010.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 29 September 2010.

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	**Number of holders**	**Number of shares held**
1 – 1,000	126	24,576
1,001 – 5,000	116	420,082
5,001 – 10,000	105	822,113
10,001 – 100,000	501	24,020,839
100,001 – and over	378	443,831,316
Total	1,226	469,118,926

b. The number of shareholdings held in less than a marketable parcel of 25,000 shares ($0.20 on 29 September 2010) is 497 and they hold 3,713,692 shares.

c. The names of the substantial shareholders listed in the holding company's register as at 29 September 2010 are:

Shareholder	**Number Shares**
Elizabeth Anne Byrne Henderson	82,127,374
Christopher Paul Dredge	41,816,304

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ASX ADDITIONAL INFORMATION

e. **20 Largest Shareholders — Ordinary Shares**

	Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.	Elizabeth Anne Byrne Henderson	28,506,553	6.08%
2.	Mr John Boyd Reid	21,453,591	4.57%
3.	Mr Christopher Paul Dredge	21,343,547	4.55%
4.	Westpearl Pty Ltd	20,000,000	4.26%
5.	Mr Paul Byrne	19,835,242	4.23%
6.	Albion Ballymore Pty Ltd	15,900,057	3.39%
7.	Moray Holdings Pty Ltd	15,608,333	3.33%
8.	ITR Investments Pty Ltd	13,309,618	2.84%
9.	Mr Graeme Wood	10,000,000	2.13%
10.	Mr Peter Graham Wells	8,500,000	1.81%
11.	Paul Byrne	6,825,000	1.45%
12.	B J Byrne Nominees Pty Ltd	6,483,333	1.38%
13.	Mr Harry John Petricevic & Mrs Merrilyn Dawn Petricevic	5,554,461	1.18%
14.	Mr Heath Barry Bourke	5,500,000	1.175
15.	Wellton Holdings Pty Ltd	5,233,333	1.12%
16.	B J Byrne Nominees Pty Ltd	5,125,000	1.09%
17.	Demycoal Pty Ltd	5,000,000	1.07%
18.	Mrs Emma Morrison	5,000,000	1.07%
19.	Wellton Holdings Pty Ltd	5,000,000	1.07%
20.	Gordon Holdings Qld Pty Ltd	4,500,000	0.96%
		228,677,978	48.75%

2. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

CORPORATE DIRECTORY

DIRECTORS

John Graham Bovard
Paul James Byrne
John William Laurie
Peter Alexander Ziegler

LAWYERS

Hopgood Ganim
Level 8, Waterfront Place
1 Eagle Street
Brisbane Q 4000

COMPANY SECRETARY

Kevin Mischewski

AUDITORS

Sothertons Chartered Accountants
10 Market Street
Brisbane Q 4000

BANKERS

National Australia Bank Limited
100 Creek Street
Brisbane Q 4000

SHARE REGISTRY

Link Market Services Limited
Level 19, 324 Queen Street
Brisbane Q 4000

REGISTERED OFFICE

Pacific Enviromin Limited
Level 7, 10 Felix Street
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