

# **Pacific Enviromin Limited**

**Level 7, 10 Felix Street  
Brisbane QLD 4000**

**Telephone: 07 3221 0679**

**Facsimile: 07 3252 2111**

**ABN 49 089 206 986**

**ASX Code: PEV**

## **Appendix 4D**

**For the half year ended 31 December 2009**

# Appendix 4D

Name of entity

## Pacific Enviromin Limited

ABN or equivalent company reference

**ABN 49 089 206 986**

Half Year ended ('current period')

**31 December 2009**

### Results for announcement to the market

Total Revenues	Down	69% to	A\$ <b>31,338</b>
Net profit/(loss) for the period attributable to members	Down	- to	<b>(2,264,327)</b>
<b>Dividends (distributions)</b>	Amount per security	Franked amount per security	
<b>Current period</b>			
Final dividend	Nil	Nil	
Interim dividend	Nil	Nil	
<b>Previous corresponding period</b>			
Final dividend	Nil	Nil	
Interim dividend	Nil	Nil	
<b>Record date for determining entitlements to the dividend</b>	N/A		
<b>Brief explanation of any of the figures reported above:</b>			
Refer to review of operations in the attached documents.			

<b>Net tangible asset backing</b>	Current year	Previous year
Net tangible asset backing per ordinary security	<b>0.75 cents</b>	3.34 cents

<b>Earnings per share</b>	Current year	Previous year
Basic profit/(loss) per share (cents)	<b>(0.58)</b>	(1.01)
Diluted profit/(loss) per share (cents)	<b>(0.58)</b>	(1.01)
Weighted average number of shares used in calculating basic profit or loss per share	<b>383,136,152</b>	370,963,922
Weighted average number of shares used in calculating diluted profit or loss per share	<b>383,136,152</b>	370,963,922
The amount used in the numerator in calculating basic earnings per share is the same as the net loss attributable to members reported in Income Statement.		
The calculation of diluted earnings per share involves adjusting basic earnings per share to reflect the existence of dilutive securities. This implies adjustments to increase the denominator to reflect that more shares would be on issue if conversion occurred.		

### Change in composition of entity

On 22 October 2009 the Group disposed of its holding in Ironbar Pty Ltd.

On 5 November 2009, the Group acquired 100% of the issued capital of Area Coal Pty Ltd,

### Details of associates and joint venture entities

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2009.

**Directors**

The names of directors who held office during or since the end of the half-year:

- John Bovard (*Chairman, Non-executive*) Appointed 30 October 2009
- Peter Alexander Ziegler (*Deputy Chairman, Non-executive*)
- Paul James Byrne (*Executive Director*)
- Christopher Paul Dredge (*Executive Director*)
- John William Laurie (*Non-executive*)
- Brian Peter Jones (*Chairman, Non-executive*) Resigned 22 October 2009
- Sirjit Singh (*Executive Director*) Resigned 30 October 2009

**Results and Review of Operations**

The consolidated group recorded a loss for the half-year of \$2,264,327 (half-year 2008, loss \$3,616,392).

*Coal Exploration Projects*

During the half year the Company added to its strategic holding of coal exploration tenements and further increased its coal tenement portfolio with the acquisition of Area Coal Pty Ltd. The philosophy of PEV's management has been to secure strategic tenure by identifying available tenements close to operating mines or in areas with proven or potential in-ground resources in regions suitable for short term development.

An initial review of the projects identifying prospective areas for further exploration has been completed and the Company is focused on exploiting the commercial value of the projects. The Company's geologists are identifying exploration targets in each of the project areas and are preparing proposals for further exploration of the target areas to enable the Company to define the mineral resource.

Exploitation opportunities include joint venture development, joint venture exploration or outright sale. It is expected that a number of development opportunities will arise from these strategic holdings.

Project Area	EPCs	Remarks
Cooroorah - Bluff	1827 & 1798	EPC 1827 Cooroorah, already granted is a prospective underground coal resource; more deep drilling required.
East Acland	1979	Application area; identified exploration target for open-cut coal; scout drilling required
North Comet	1996 & 1997	Application Areas; Prospective for open-cut coal in Burngrove Formation & for underground coal in German Creek Coal Measures; scout drilling required
Mt Hillalong	1824	Application Area; Prospective for open-cut & underground coal in Rangal Coal Measures; scout drilling required
East Wandoan	1955 & 1987	Application Areas; Prospective for open-cut coal in Taroom Coal Measures in EPC 1955 and far northern part of EPC 1987; scout drilling required
South Hillalong	1645, 1773 , 1866 & 1867	EPC's 1645 & 1866 are subject to competitive applications; prospective underground coal resource in Rangal Coal Measures in EPC 1866; open-cut coal potential elsewhere in Fort Cooper Coal Measures; drilling required
Therese Creek	1685	Subject to competitive application; underground coal resource identified; more deep drilling required

## DIRECTORS' REPORT

### *Industrial Minerals Projects*

The Group holds the following industrial minerals assets

Tenement	Mineral	Location	Status	Uses
EPM 13886 ML 70360 EPMA 17459 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 13302 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

### *Calcium Bentonite Mining*

The Group's Mantuan Downs mining operations are supplying small quantities of calcium bentonite to regional agricultural and mine site markets. Agricultural trials are continuing with CSR Sugar, with results expected at harvest in May this year.

### *Wastewater Treatment*

Predicted early revenue from the water filtration and solutions business have not eventuated. No further funding to this project while the Company reviews its investment in this business. The company is evaluating a proposal for vendor reacquisition of this business.

### **Rounding of Amounts**

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1.

### **Auditor's Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.



Peter Ziegler

Deputy Chairman

Dated this 26<sup>th</sup> day of February 2010

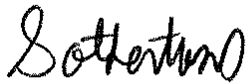
PARTNERS  
Geoffrey J. Read  
Linda E. Timms  
Anthony C. Bryen

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

ASSOCIATE  
Susan J. Mortimer

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 review of Pacific Enviromin Limited for the half year ended 31 December 2009 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 - Brisbane Partnership**



**A C Bryen  
Lead Audit Partner**

Dated at Brisbane this twenty-sixth day of February 2010

**CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED  
31 DECEMBER 2009**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>31.12.2009</b>	<b>31.12.2008</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>		21,755	10,590
Interest income		9,583	89,857
Changes in inventories of finished goods and work in progress		(11,547)	95,930
Raw materials and consumables used		(23,340)	(230,431)
Employee benefits expense		(311,215)	(444,157)
Depreciation and amortisation expense		(118,625)	(70,449)
Finance costs		(27,351)	(18,914)
Impairment of property, plant and equipment		(1,410,361)	(2,603,781)
Research and development cost recovery		-	39,545
Administration expenses		(350,923)	(639,426)
Other expenses		(815)	(5,382)
<b>Profit before income tax</b>			(3,776,618)
		(2,222,839)	
Income tax expense (benefit)		-	21,446
<b>Profit/(Loss) from continuing operations</b>		(2,222,839)	(3,755,172)
Profit/(Loss) from discontinued operations		(41,488)	138,780
<b>Profit/(Loss) for the period</b>	2	(2,264,327)	(3,616,392)
Profit/(Loss) attributable to:			
Members of the parent entity		(2,264,327)	(3,623,220)
Non-controlling interest		-	6,828
		(2,264,327)	(3,616,392)
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(0.59)	(0.97)
Diluted earnings per share (cents)		(0.59)	(0.97)
From continuing operations:			
Basic earnings per share (cents)		(0.58)	(1.01)
Diluted earnings per share (cents)		(0.58)	(1.01)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED  
31 DECEMBER 2009**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>31.12.2009</b>	<b>31.12.2008</b>
		<b>\$</b>	<b>\$</b>
Profit/(Loss) for the period		(2,264,327)	(3,616,392)
<b>Other comprehensive income</b>			
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		-	-
<b>Total comprehensive income for the period</b>		<u>(2,264,327)</u>	<u>(3,616,392)</u>
Total comprehensive income attributable to:			
Members of the parent entity		(2,264,327)	(3,623,220)
Non-controlling interest		-	6,828
		<u>(2,264,327)</u>	<u>(3,616,392)</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009**

	<b>Consolidated Group</b>	
	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	482,411	965,751
Trade and other receivables	147,026	282,924
Inventories	55,301	67,707
Other financial assets	48,234	25,734
<b>TOTAL CURRENT ASSETS</b>	<u>732,972</u>	<u>1,342,116</u>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,052,706	1,159,812
Exploration and evaluation expenditure	2,025,455	3,334,107
Intangible assets	56,733	-
Other financial assets	-	50,000
<b>TOTAL NON-CURRENT ASSETS</b>	<u>3,134,894</u>	<u>4,543,919</u>
<b>TOTAL ASSETS</b>	<u>3,867,866</u>	<u>5,886,035</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	129,386	132,733
Borrowings	240,694	176,675
<b>TOTAL CURRENT LIABILITIES</b>	<u>370,080</u>	<u>309,408</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	402,767	486,831
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>402,767</u>	<u>486,831</u>
<b>TOTAL LIABILITIES</b>	<u>772,847</u>	<u>796,239</u>
<b>NET ASSETS</b>	<u>3,095,019</u>	<u>5,089,796</u>
<b>EQUITY</b>		
Issued capital	30,557,751	30,288,201
Retained earnings	(27,462,732)	(25,198,405)
Parent entity interest	3,095,019	5,089,796
Non-controlling interest	-	-
<b>TOTAL EQUITY</b>	<u>3,095,019</u>	<u>5,089,796</u>

The accompanying notes form part of these financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED  
31 DECEMBER 2009**

Note	<b>Issued Capital Ordinary \$'000</b>	<b>Revaluation Surplus \$'000</b>	<b>Non- controlling Interests \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 July 2008</b>	27,230,680	6,671,104	(3,002,038)	(15,270,027)	15,629,719
Profit attributable to members of the parent entity				(3,623,220)	(3,623,220)
Profit attributable to non-controlling interests			6,828		6,828
Total other comprehensive income for the period					-
Share issued during the period	3,314,392				3,314,392
Transaction costs on share issue	(319,371)				(319,371)
<b>Subtotal</b>	30,225,701	6,671,104	(2,995,210)	(18,893,247)	15,008,348
Dividends paid or provided for					-
<b>Balance at 31 December 2008</b>	30,225,701	6,671,104	(2,995,210)	(18,893,247)	15,008,348
<b>Balance at 1 July 2009</b>	30,288,201		-	(2,914,350)	5,089,796
Profit attributable to members of the parent entity				(2,264,327)	(2,264,327)
Profit attributable to non-controlling interests					
Total other comprehensive income for the period					
Share issued during the period	280,000				280,000
Transaction costs on share issue	(10,450)				(10,450)
<b>Subtotal</b>	30,557,751		-	(2,914,350)	3,095,019
Dividends paid or provided for	-				-
<b>Balance at 31 December 2009</b>	30,557,751		-	(2,914,350)	3,095,019

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED  
31 DECEMBER 2009**

	<b>Consolidated Group</b>	
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	30,074	12,749
Payments to suppliers and employees	(658,742)	(2,256,929)
Interest received	9,583	89,857
Finance costs	(27,351)	(18,914)
Income tax paid	-	21,446
Net cash (used in)/provided by operating activities	<u>(646,436)</u>	<u>(2,151,791)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of non-current assets	773	-
Purchase of non-current assets	(13,548)	(1,037,487)
Loans to subsidiaries	-	(3,781)
Payment for subsidiary, net of cash acquired	(56,733)	-
Net cash used in investing activities	<u>(69,508)</u>	<u>(1,041,268)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	280,000	3,314,392
Proceeds from borrowings	-	600,358
Repayment of borrowings	(47,396)	(165,917)
Net cash used in/(provided by) financing activities	<u>232,604</u>	<u>3,748,833</u>
Net decrease in cash held	(483,340)	555,774
Cash and cash equivalents at beginning of period	<u>965,751</u>	<u>1,420,875</u>
Cash and cash equivalents at end of period	<u><u>482,411</u></u>	<u><u>1,976,649</u></u>

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Pacific Enviromin Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

**Accounting Standards not previously applied**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

*Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the separate income statement/single statement approach to the presentation of the statement of comprehensive income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

*Operating Segments*

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash-generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

*Business Combinations and Consolidation Procedures*

Revised AASB 3 is applicable prospectively 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

NOTE 1: BASIS OF PREPARATION

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.

*Revenue Recognition*

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

*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.

NOTE 2: PROFIT FOR THE PERIOD

	<b>Consolidated Group</b>	
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>\$</b>	<b>\$</b>
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Write-off of capitalised exploration expenditure on areas of interest abandoned during the period	790	5,382
Net gain/(loss) on the disposal of investment in controlled entity	(41,488)	-

NOTE 3: BUSINESS COMBINATIONS

On 5 November 2009, the Group acquired 100% of the issued capital of Area Coal Pty Ltd, an exploration company holding 18 Exploration Permit for Coal applications, for a purchase consideration of \$56,733.

The acquisition is part of the Group's overall strategy to expand its coal exploration operations.

Through acquiring 100% of the issued capital of Area Coal Pty Ltd, the Group has obtained control of the company.

The purchase was satisfied by the payment of Area Coal Pty Ltd outstanding creditor liabilities of \$27,943.35 and the repayment of an Area Coal Pty Ltd loan liability of \$28,789.64.

	<b>Acquiree's carrying amount</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>
Purchase consideration:		
— Cash		56,733
— Equity issued		-
		<u>56,733</u>
<b>Less:</b>		
Receivables (i)	401	-
Payables	(56,733)	-
<b>Identifiable assets acquired and liabilities assumed</b>	<u>(56,332)</u>	<u>56,733</u>
<b>Goodwill (ii)</b>		<u>56,733</u>
Purchase consideration settled in cash		<u>56,733</u>
<b>Cash outflow on acquisition</b>		<u>56,733</u>

- i. The directors believe the receivables are not fully recoverable and have expensed the carrying amount immediately on acquisition.
- ii. The goodwill is attributable to Area Coal Pty Ltd's holding of 18 Exploration Permit for Coal applications.

No amount of the goodwill is deductible for tax purposes.

Had the results relating to Area Coal Pty Ltd been consolidated from 1 July 2009, consolidated revenue of the consolidated group would have been \$21,755 and consolidated loss of the combined group would have been \$2,309,340 for the half-year ended 31 December 2009.

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

NOTE 4: 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 product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. 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 with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

**Types of products and services by segment**

(i) *Exploration*

The exploration segment is responsible for identifying, costing and financing potential exploration tenement opportunities, developing acquisitions and finding buyers for completed developments.

(ii) *Bentonite mining*

The bentonite mining segment mines, processes and sells calcium bentonite. Segment assets, including extraction machinery, handling machinery and primary crushers are reported on in this segment.

(iii) *Technology development*

The technology development segment is responsible for identifying, financing and costing potential technology development opportunities, securing any associated intellectual property rights, developing acquisitions and finding buyers for completed projects.

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as 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.

*Inter-segment transactions*

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and 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 for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation 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 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.

*Segment assets*

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

NOTE 4: OPERATING SEGMENTS (CONTINUED)

*Segment liabilities*

Liabilities are allocated to segments where there is 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.

*Unallocated items*

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

- derivatives;
- 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; and
- retirement benefit obligations.

*Comparative information*

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

NOTE 4: OPERATING SEGMENTS (CONTINUED)

	Exploration	Mining	Technology	Total
	\$	\$	\$	\$
<b>Six months ended</b>				
<b>31.12.2009</b>				
<b>Revenue</b>				
External sales	-	21,755	-	21,755
Interest revenue	-	5,078	-	5,078
<b>Total segment revenue</b>	-	26,833	-	26,833
<i>Reconciliation of segment revenue to group revenue</i>				
Interest revenue				4,505
Total group revenue				31,338
<b>Segment net profit/(loss) before tax</b>	(23,784)	(180,137)	(42,339)	(246,260)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
• Impairment of property, plant and equipment				(1,410,361)
Unallocated items:				
• Corporate charges				580,355
• Finance costs				(27,351)
Net profit before tax from continuing operations				(2,264,327)



NOTE 4: OPERATING SEGMENTS (CONTINUED)

	Exploration	Mining	Technology	Total
	\$	\$	\$	\$
<b>Six months ended</b>				
<b>31.12.2008</b>				
<b>Revenue</b>				
External sales	-	10,590	-	10,590
Interest revenue	-	1,964	732	2,696
<b>Total segment revenue</b>	-	12,554	732	13,286
<i>Reconciliation of segment revenue to group revenue</i>				
Interest revenue				87,161
Total group revenue				100,447
<b>Segment net profit/(loss) before tax</b>	-	(214,233)	164,234	(49,999)
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>				
Amounts not included in segment result but reviewed by the Board:				
• Impairment of property, plant and equipment				(2,603,781)
Unallocated items:				
• Corporate charges				(1,100,580)
• Finance costs				(812)
Net profit before tax from continuing operations				(3,755,172)

NOTE 4: OPERATING SEGMENTS (CONTINUED)

	Exploration	Mining	Technology	Total
	\$	\$	\$	\$
<b>As at 31.12.2009</b>				
<b>Segment assets</b>	97,669	3,388,660	388	3,486,717
<i>Reconciliation of segment assets to group assets</i>				
Inter-segment eliminations				(38,164)
Unallocated assets:				
• Corporate assets				419,313
Total group assets from continuing operations				<u>3,867,866</u>
<b>As at 30.6.2009</b>				
<b>Segment assets</b>	-	4,939,565	66,185	5,005,750
<i>Reconciliation of segment assets to group assets</i>				
Inter-segment eliminations				(4,201,832)
Unallocated assets:				
• Corporate assets				5,082,117
Total group assets from continuing operations				<u>5,886,035</u>
<b>As at 31.12.2009</b>				
<b>Segment liabilities</b>	637	570,321	817	571,775
<i>Reconciliation of segment liabilities to group liabilities</i>				
Inter-segment eliminations				
Unallocated liabilities:				
• Corporate liabilities				201,072
• Deferred tax liabilities				
• Other liabilities				
Total liabilities from continuing operations				772,847
<b>As at 30.6.2009</b>				
<b>Segment liabilities</b>	-	3,279,696	8,542,945	11,822,641
<i>Reconciliation of segment liabilities to group liabilities</i>				
Inter-segment eliminations				(11,195,709)
Unallocated liabilities:				
• Corporate liabilities				169,307
• Deferred tax liabilities				-
• Other liabilities				-
Total liabilities from continuing operations				796,239

NOTE 4: OPERATING SEGMENTS (CONTINUED)

**(v) Revenue by geographical region**

All revenue attributable to external customers is earned in Australia

**(vi) Assets by geographical region**

All segment assets are geographically located in Australia.

**(vii) Major customers**

The Group has a number of customers to which it provides both products and services.

NOTE 5: CONTINGENT LIABILITIES

Since the end of the last annual reporting period a contingent liability has arisen in relation to a dispute with a former director of the company and in connection with the acquisition of the Filtek Filtration Solutions business. The directors are unable to quantify the amount of the contingent liability, if any.

There have been no other changes in contingent liabilities since the end of the last annual reporting period.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

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.

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 19 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'P. Ziegler', with a stylized flourish extending to the right.

Peter Ziegler

Deputy Chairman

Dated this 26<sup>th</sup> day of February 2010

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Pacific Enviromin Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

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

ASSOCIATE  
Susan J. Mortimer

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Pacific Enviromin Limited (the company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including 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 half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Pacific Enviromin Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Matters Relating to the Electronic Presentation of the Audited Financial Report*

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2009 included on the website of Pacific Enviromin Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

**Independence**

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pacific Enviromin Limited and Controlled Entities is not in accordance with *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

## Inherent Uncertainty

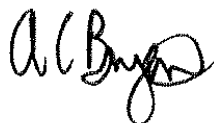
Without qualification to the conclusion above, attention is drawn to the following matter:

### Continuation as a Going Concern

As described on page 12 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.



**Sothertons - Brisbane Partnership**



**A C Bryen  
Lead Audit Partner**

Dated at Brisbane this twenty-sixth day of February 2010