AnaeCo Limited

PRELIMINARY FINAL REPORT 2010

ASX Listing Rule 4E

For year ended 30 June 2010

Results for announcement to the market - UNAUDITED

Financial Results			Year ended 30/6/10 $'000
Revenue from ordinary activities	down	81%	75
Profit (loss) from ordinary activities after tax attributable to members	down	9%	(7,097)
Net profit (loss) for the period attributable to members	down	9%	(7,097)

Dividends	
The company will not be declaring a dividend in respect of the results for the year ended 30 June 2010.	
Record date for determining entitlements to 2010 dividends	N/A

Net Tangible Asset Backing	30 June 2010	30 June 2009
Net tangible asset backing per ordinary security	0.02 cents	2.2 cents

Commentary on results

The net loss after income tax of the Group for the financial year was $7,097,258 (2009: loss $6,506,321).

Review of Operations

Commercialisation of DiCOM® System at the WMRC project

The principle focus of the Company during this financial year has been the commercialisation of the DiCOM® System by way of its application at the Western Metropolitan Regional Council (WMRC) project in Perth Western Australia.

The WMRC project involves the construction of a plant to process 55,000 tpa of municipal solid waste (MSW) for the WMRC and the City of Stirling. This project is being developed in conjunction with Palisade Investment Partners Limited's (Palisade) diversified infrastructure investment fund. The project is being constructed in two stages. Stage 1 comprised the construction of a single DiCOM® vessel and a preliminary front end sorting system. Stage 2 involves the construction of two additional DiCOM® vessels and the complete front end sorting system. Construction of Stage 1 was completed in the previous financial year.

Following construction and commissioning the Stage 1 plant, AnaeCo undertook performance trials. This involved putting six batches of municipal solid waste (MSW) through the hybrid aerobic/anaerobic bioconversion process, efficiently converting the organic fraction of MSW into biogas and stabilised compost in a 21 day cycle. These trials commenced in April 2009 and were completed by December 2009.

The performance trials were completed successfully and in February 2010 Sinclair Knight Merz (SKM) the independent engineer appointed to the WMRC Stage 1 project by Palisade issued the Final Certificate of Satisfaction. This certificate is independent verification that the DiCOM® Bioconversion process satisfactorily met the contractual performance requirements during the trials.

The independent certification validated key technical claims made by AnaeCo about the DiCOM® Bioconversion process including its production of renewable energy in excess of the plant's internal requirements as well as the ability to produce high quality compost from organic material sourced from mixed household waste.

Engineering design of Stage 2 commenced in October 2009 and continued throughout the second half of the financial year. This encompassed the completion of plant and process design, preparation of tender packages and construction drawings. During this period there was significant time and cost invested in designing equipment and systems which will become part of the standard DiCOM® System product line. This included utilising the substantial experience gained during Stage 1 performance trials and incorporating that knowledge in the Stage 2 design and at the same time embedding it in the standard designs of future facilities.

Following independent certification of Stage 1 performance trials AnaeCo had been expecting to proceed to Stage 2 with funding approval in the second half of the financial year. However raising bank debt finance for a new technology based project proved challenging in the prevailing economic climate and we were advised towards the end of the financial year by Palisade that it had elected to evaluate financing the project during construction by applying its own equity resources. In August 2010 Palisade advised in-principle approval to fund Stage 2 of the WMRC project.

A final investment commitment approval to enable construction commencement will be provided on satisfactory resolution of remaining conditions and due diligence, expected by October 2010. Given this advice AnaeCo is forecasting commencement of construction in November 2010.

Design & Construct Joint Venture

As part of the strategy to develop the DiCOM® System as a product, in order to ensure delivery of reliable, replicable facilities, AnaeCo identified the need to enhance its project delivery capability. This involved identifying, then partnering with a proven performer in the mechanical fabrication and construction industry.

In March 2010 Monadelphous Group Limited (ASX:MND) and AnaeCo formed a joint venture to deliver design-and-construct waste management solutions using AnaeCo's patented DiCOM® System.

The joint venture will target projects for local government authorities and waste service companies seeking alternative waste technology (AWT) solutions to reduce their reliance on landfill disposal of municipal and commercial waste.

Under the joint venture, AnaeCo will provide the technology and design services and Monadelphous will provide fabrication and construction services.

The Monadelphous-AnaeCo joint venture initially applies to Australia and New Zealand and the companies have also agreed to explore ways to collaborate on construction projects using the DiCOM® System in other markets. The first design and construction activity to be undertaken by the joint venture will be WMRC Stage 2.

Technology Development

The completion of Stage 1 and progressing to Stage 2 has been a pivotal event in the development of the DiCOM® System as a product.

The success of Stage 1 at the WMRC project has been the catalyst to take the Stage 1 prototype design and convert it into a "product" through high levels of innovation and value engineering in order to develop a complete design and delivery package that can be utilised to deploy the DiCOM® System in any location in the world.

One of the key areas of focus for the AnaeCo engineering team has been that of process control. The DiCOM® System represents the first fully automated, industrialised process for the bioconversion of solid organic waste in a single vessel arrangement whereby a modular hybrid aerobic/anaerobic system delivers both biogas for electricity generation as well as stable, nutrient rich organic fertiliser. At the core of this is the ability of the process control system to continuously adapt to process conditions in order to maintain optimum conditions for the microorganisms responsible for the bioconversion of the organic material.

To achieve all of this, AnaeCo has grown its technical delivery capacity and now hosts a full complement of in-house technical capabilities, including mechanical, chemical, civil, and electrical and process engineering, mechanical drafting and a strong biotechnology team working closely with Murdoch University. The depth of this technical capacity has grown over the last 12 months with the AnaeCo team able to convert the lessons and designs of the Stage 1 WMRC facility into a robust design for the DiCOM® System as a complete waste management solution for municipal and industrial solid waste.

In addition to the engineering design capability to develop the product and produce specific design solutions for projects, AnaeCo has been working closely with JV construction partner Monadelphous to refine the design in terms of constructability. This construction and fabrication focus is necessary to ensure cost and time efficiency for project delivery on site.

The development of the total design and construction package for the DiCOM® System means that AnaeCo can now begin to make the technology available to a wide variety of potential end-users worldwide as an engineered complete solution. Hence, the next phase of AnaeCo's growth will be through global technology transfer, which will empower end users to utilise the DiCOM® System in multiple applications and provide AnaeCo with significant revenue potential.

Review of Financial Condition

During the year the Company did not earn any revenue from engineering or technology licensing activities. The engineering fee for WMRC Stage 1 was fully invoiced in previous financial years and the Stage 2 engineering revenue will not commence until financial close which will occur after the final investment decision by Palisade. Accordingly during the 2010 financial year AnaeCo has carried the full cost of completing the Stage 1 performance trials, Stage 2 engineering design and DiCOM® product development cost as well as corporate, administrative and business development overheads. All of this was funded by equity and borrowings.

In summary the sources and applications of cash for the 2010 year have been as follows:

	$'000
<u>Sources</u>	
Equity raised by placement and SPP, net of costs	4,232
Inflow from borrowings net of repayments	1,582
Reduction in cash at bank	2,905
	8,719
<u>Applications</u>	
Project expenditure (WMRC Stage 1 and 2)	2,803
Technology development (total of expense and capitalised as intangible asset)	2,277
Corporate, administration and business development overheads	3,044
Equipment and software purchases	266
Finance costs	329
	8,719

At 30 June 2010 the Company had cash reserves of $1,350,595.

The design and construct contract for WMRC Stage 2 is expected to commence in November 2010 and the estimated fee AnaeCo will earn form that contract is $2,000,000.

The Company recently advised the Australian Securities Exchange it is likely to have negative operating cash flows in the two quarters ending 31 December 2010 but at levels substantially lower than previous quarters. Bridging loan support from directors and sale of investments will be utilised to provide funding for these negative operating cash flows.

- At a Board meeting held on 11th August 2010 directors Mr Ian Campbell and Mr Les Capelli agreed to provide bridging loan support to the Company amounting to $1.5 million. These bridging loans will be repayable at the earlier of 31 December 2010 or sooner if the Company raises sufficient new equity to enable repayment, with an election for the loan to be converted to equity subject to shareholder and regulatory approval.
- AnaeCo owns a 16.4% minority interest in the stapled entities which own the DiCOM facility installed at the WMRC waste transfer station. This investment cost approximately $2.5 million. At the Board meeting held on 11th August 2010 it was resolved to seek a buyer for this investment. AnaeCo will commence marketing this immediately and intends to conduct an orderly sale process. Accordingly we cannot estimate when this sale is likely to occur or whether it will occur prior to 31 December 2010. The other investor in the project, Palisade Regional Infrastructure Fund, owns 83.6% and has a pre-emptive right to purchase once AnaeCo presents a bona fide third party offer.

It is likely that the Company will be seeking to replenish working capital to sustain ongoing operating costs, overheads and business development costs. However the timing of such recapitalisation is to some extent dependant on the timing of commencement of work on WMRC Stage 2 and the sale of the 16.4% investment in the entities which own the WMRC project.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
Revenue	2	74,739	387,374
Project delivery costs	3(e)	(1,963,282)	(4,733,072)
Technology development expense	3(f)	(1,111,212)	-
Depreciation and amortisation expense	3(a)	(233,543)	(71,126)
Finance costs	3(b)	(329,444)	(213,335)
Employee benefits expense	3(c)	(1,498,555)	(1,284,263)
Other expenses	3(d)	(1,739,472)	(1,330,016)
Share of (loss)/profit of investment accounted for using the equity method	5	(15,239)	90,128
Loss before income tax expense		(6,816,008)	(7,154,310)
Income tax (expense)/benefit	4	(281,250)	647,989
Net loss after tax attributable to members of AnaeCo Limited and total comprehensive expense for the period		(7,097,258)	(6,506,321)
Earnings per share for loss attributable to the ordinary equity holders of the Company	10		
Basic loss per share		(4.4) cents	(5.2) cents
Diluted loss per share		(4.4) cents	(5.2) cents

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Consolidated June 30 2010 $	Consolidated June 30 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents		1,350,595	4,255,293
Trade and other receivables		472,772	704,902
Other		16,301	43,877
TOTAL CURRENT ASSETS		1,839,668	5,004,072
Non Current Assets			
Receivables		203,758	203,758
Property, plant and equipment		186,592	150,780
Intangible assets		2,112,421	949,531
Investments in joint controlled entities	5	2,517,749	2,532,988
TOTAL NON CURRENT ASSETS		5,020,520	3,837,057
TOTAL ASSETS		6,860,188	8,841,129
LIABILITIES			
Current liabilities			
Trade and other payables		941,965	1,353,166
Provision for loss on EPCM contract		1,161,552	2,001,000
Interest bearing loans and borrowings		2,063,768	526,440
Provisions		205,276	206,337
TOTAL CURRENT LIABILITIES		4,372,561	4,086,943
Non Current Liabilities			
Interest bearing loans and borrowings		66,998	30,269
Provisions		280,988	217,318
TOTAL NON CURRENT LIABILITIES		347,986	247,587
TOTAL LIABILITIES		4,720,547	4,334,530
NET ASSETS		2,139,641	4,506,599
Equity			
Contributed equity	6	27,369,715	22,859,067
Reserves		411,451	191,799
Accumulated losses		(25,641,525)	(18,544,267)
TOTAL EQUITY		2,139,641	4,506,599

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 30 June 2010

	Notes	Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
Cash flows from operating activities			
Receipts from customers		37,503	628,568
R & D Rebate received		-	733,203
Interest received	2	37,236	60,468
Payments to suppliers and employees		(7,197,948)	(6,260,864)
Interest paid		(162,656)	(16,898)
Net cash flows (used in) operating activities	7	(7,285,865)	(4,855,523)
Cash flows from investing activities			
Funds released from term deposit		-	1,000,000
Purchases of property, plant and equipment		(122,060)	(11,430)
Purchases of computer software classified as intangible assets		(144,213)	-
Expenditure on Technology Development capitalised as intangible assets		(1,165,973)	-
Purchase of investments		-	(132,356)
Net cash flows (used in) investing activities		(1,432,246)	856,214
Net cash flows from financing activities			
Proceeds from the issue of shares	6	4,610,489	7,798,014
Costs of fundraising		(378,721)	(573,779)
Proceeds from borrowings		2,157,287	500,000
Repayment of borrowings		(575,642)	(22,075)
Net cash flows from financing activities		5,813,413	7,702,160
Net (decrease)/increase in cash and cash equivalents		(2,904,698)	3,702,851
Cash and cash equivalents at beginning of period		4,255,293	552,442
Cash and cash equivalents at end of period		1,350,595	4,255,293

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

Consolidated For the year ended 30 June 2010	**Issued capital** **$**	**Accumulated losses** **$**	**Employee benefits reserve** **$**	**Total equity** **$**
At the beginning of the year	22,859,067	(18,544,267)	191,799	4,506,599
Loss for the period	-	(7,097,258)	-	(7,097,258)
Total comprehensive (expense) for the period		(7,097,258)		(7,097,258)
Transactions with owners in their capacity as owners				
Issue of share capital	4,623,471	-	-	4,623,471
Costs of capital raising	(238,721)	-	-	(238,721)
Share based payment	125,898	-	219,652	345,550
At the end of the year	27,369,715	(25,641,525)	411,451	2,139,641

Consolidated For the year ended 30 June 2009	**Issued capital** **$**	**Accumulated losses** **$**	**Employee benefits reserve** **$**	**Total equity** **$**
At the beginning of the year	15,352,876	(12,037,946)	158,459	3,473,389
Loss for the period	-	(6,506,321)	-	(6,506,321)
Total comprehensive (expense) for the period	-	(6,506,321)	-	(6,506,321)
Transactions with owners in their capacity as owners				
Issue of share capital	7,798,013	-	-	7,798,013
Costs of capital raising	(377,341)	-	-	(377,341)
Share based payment	85,519	-	33,340	118,859
At the end of the year	22,859,067	(18,544,267)	191,799	4,506,599

1 Summary of significant accounting policies

(a) Basis of Preparation

The preliminary final report has been prepared in accordance with the requirements of Australian Securities Exchange Appendix 4E, the Corporations Act 2001 and Australian Accounting Standards. The report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Group has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

In forming this view the directors have taken into consideration the following.

- As a Company listed on the Australian Securities Exchange it has access to the Australian equity capital markets. Accordingly the Group considers it maintains a reasonable expectation of being able to raise funding from the market as and when required, although it cannot determine in advance the terms upon which it may raise such funding.
- The Group is achieving its key milestones with respect to commercialising the DiCOM System and specifically with respect to the application of the DiCOM System at the WMRC project. This progress is feeding through to increased interest in the Group's technology from other prospective customers and accordingly the Group has a pipeline of project opportunities emerging. This provides confidence for the Group's prospects of generating positive cash flow from operations in the future.
- On 11 August 2010 the Board has resolved to sell its minority ownership interest in the entities which own the DiCOM facility installed at the WMRC waste transfer station. Further details about these entities is provided in note 5 to the financial statements. The investment has a book value of $2,517,749 which represents cost adjusted for equity accounted share of the entities net profits. Whilst the Board cannot predict the outcome of the sale process for this investment it has confidence it should be able to realise a fair market value in an orderly sale process.
- The Board is confident that to the extent additional funding is required to fund administrative and other committed expenditure, or new development initiatives, it will be able to raise such funding in the financial markets, and certain directors have confirmed short term bridging financial support should it be necessary prior to such a capital raising.
- Should the Company and the Group not achieve the matters set out above there is significant uncertainty whether the Company and the Group will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company and Group not be able to continue as a going concern.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Since 1 July 2009, the consolidated entity has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009.

		Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
2.	**Revenue**		
	EPCM services	-	270,000
	Interest income	37,236	60,468
	Other revenue	37,503	56,906
		74,739	387,374
3 (a)	**Depreciation and amortisation expense**		
	Depreciation of property, plant & equipment	86,248	59,926
	Amortisation of patents, licences and intellectual property	147,295	11,200
		233,543	71,126
3 (b)	**Finance costs**		
	Interest paid to other parties arising on finance leases and hire purchase contracts	17,759	3,133
	Interest expense on loans from related parties	137,040	7,587
	Interest expense on loans from others	269	6,177
	Loan establishment fee paid to related parties	140,000	-
	Other finance costs	34,376	196,437
		329,444	213,335
3 (c)	**Employee benefits expense**		
	Wages and salaries	3,337,342	2,396,848
	Defined contribution superannuation plan expense	268,038	182,121
	Less labour costs allocated to projects and technology development	(2,662,376)	(1,583,204)
	Non-executive directors remuneration	210,000	169,639
	Share based payments expense	345,551	118,859
		1,498,555	1,284,263
3(d)	**Other expenses**		
	Premises and related expenses	316,804	299,633
	Consultants and professional advisors	591,166	475,206
	Travel	186,286	211,768
	Other overheads	640,216	343,409
		1,734,472	1,330,016
3(e)	**Project delivery costs**		
	Expenditure incurred on long term engineering contracts	1,101,730	2,732,072
	Provisions for costs to complete	861,552	2,001,000
		1,963,282	4,733,072
3(f)	**Technology development expense**		
	Expenditure on technology development	2,277,185	-
	Less capitalised as an intangible asset	(1,165,973)	-
		1,111,212	-

	Consolidated 12 months June 30 2010 $	Consolidated 12 months June 30 2009 $
4. Income Tax		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax (charge) /benefit	(281,250)	647,989
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Income tax benefit as reported in the income statement	(281,250)	647,989
A reconciliation between tax benefit and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(6,795,773)	(7,154,310)
At the statutory income tax rate of 30% (2009:30%)	2,038,732	2,146,293
Expenditure not allowable for income tax purposes	(105,534)	(38,636)
Income not assessable for income tax purposes	-	27,038
R & D tax concession rebate	(281,250)	647,989
Unrecognised tax losses	(1,933,198)	(2,134,695)
	(281,250)	647,989
Deferred income tax		
Deferred tax assets not recognised		
Unrecognised tax losses	5,995,348	3,381,128
Temporary differences	363,252	947,908
	6,358,600	4,329,036
Temporary differences comprises:		
Provision for completion of long term contract	348,466	600,300
Unamortised balance of business related expense deductions	366,756	355,916
Employee benefits provisions	145,879	127,096
Other	103,611	129,509
Intangibles – development expenditure	(601,459)	(264,913)
	363,252	947,908

The deferred tax asset attributable to tax losses has not been recognised as an asset because in the opinion of the Group, there are presently insufficient taxable temporary differences to indicate that recovery is probable.

	Consolidated June 30 2010 $	Consolidated June 30 2009 $

5. Investment in joint controlled entities

	$	$
Units in DiCOM AWT Investment Trust, at cost	2,409,490	2,409,490
Share of net result	100,679	102,408
Carrying value of investment in joint controlled entities	2,510,169	2,511,898
Shares in DiCOM AWT Operations Pty Ltd, at cost	24,056	24,056
Share of net result	(16,476)	(2,966)
Carrying value of investment in joint controlled entities	7,580	21,090
Total investments in joint controlled entities	2,517,749	2,532,988

The fair value of investments accounted for using the equity method approximate their carrying value.

Ownership interest in investments accounted for using the equity method at balance date	**16.4%**	**16.4%**

The Group considers it is appropriate to apply the equity method of accounting to its interests in DiCOM AWT Investment Trust and DiCOM AWT Operations Pty Ltd although it holds less than 20% at 30 June 2010 because;

- It has the right to 50% representation on the Board of the trustee of DiCOM AWT Investment Trust and DiCOM AWT Operations Pty Ltd and this did not change when the ownership interest reduced,
- There is a unitholders' agreement and a shareholders' agreement which govern key aspects of the business operations of the two entities and these agreements contain provisions which protect the interest of minority shareholders such that AnaeCo's approval is required for certain key decisions to be carried.

Movement in carrying value of investments in joint controlled entities	Consolidated June 30 2010 $	Consolidated June 30 2009 $
Balance at 1 July 2009	2,532,988	2,310,501
Increased investment at cost	-	132,359
Share of net result for current year	(15,239)	90,128
Balance at 30 June 2010	2,517,749	2,532,988

Summarised financial information The following table illustrates summarised financial information relating to the Group's investments in joint controlled entities	Consolidated June 30 2010 $	Consolidated June 30 2009 $
Extract from the statements of financial position of investments in joint controlled entities		
Current assets	42,865	414,605
Non-current assets	16,220,176	15,845,586
	16,263,041	16,260,191
Current liabilities	(683,261)	(807,302)
Non-current liabilities	(203,758)	(203,758)
	(887,019)	(1,011,060)
Net assets	15,376,022	15,249,131
Share of net assets of investments in joint controlled entities	2,526,280	2,500,857
Extract from statements of comprehensive income of investments in joint controlled entities		
Revenue	135,603	919,969
Net (loss)/profit	(153,859)	398,267

6. Contributed Equity

	Company June 30 2010 $	Company June 30 2009 $
Issued Capital		
177,811,913 (2009 ; 156,911,302) fully paid ordinary shares	28,559,246	23,809,878
Costs of capital raising	(1,189,531)	(950,811)
	27,369,715	22,859,067

Movements in issued capital	Date	2010 Shares	2010 $	2009 Shares	2009 $
Ordinary fully paid shares					
Balance at 1 July 2008		-	-	109,700,515	15,926,345
Share issue - Placement	Nov '08	-	-	10,040,000	1,004,000
Conversion of options	Nov '08	-	-	18	14
Share issue – Placement	Jan '09	-	-	17,940,000	1,794,000
Share issue - Placement	June '09	-	-	19,230,769	5,000,000
Shares to be issued post balance date		-	-	-	85,519
Balance at 30 June 2009		156,911,302	23,809,878	156,911,302	23,809,878
Employee share bonus	July '09	358,821	7,774		
Share issue – Placement	Dec '09	51,925	12,981		
Share issue – Placement	Feb/May '10	11,111,108	2,499,999		
Share Purchase Plan	Feb/May '10	6,666,667	1,500,000		
Share issue – Placement	May'10	2,711,111	610,000		
Conversion of options		979	490		
Shares to be issued post balance date		-	118,124		
		177,811,913	28,559,246		

Ordinary shares entitle the holder to;

- one vote per share at general meetings of shareholders,
- receive dividends declared as payable to ordinary shareholder, and
- participate in a distribution of assets upon winding up of the company after extinguishing all liabilities and any priority claims or charges.

Converting Shares

Movements in converting shares	2010 No of Shares	2010 $	2009 No of Shares	2009 $
Balance at beginning of the financial period	-	-	200,000	-
Lapsed upon expiry (30 Sept 2008)	-	-	(200,000)	-
Closing balance at the end of financial period	-	-	-	-

Share Options

As at 30 June 2010 details of share options on issue is as follows;

Class	Number	Expiry	Exercise price
Class B quoted	13,737,832	31 May 2012	$1.00
Unquoted director and employee incentive options (Series 1)	10,500,000	31 December 2011	$0.25
Unquoted director and employee incentive options (Series 2)	2,850,000	31 December 2012	$0.35

The vesting hurdles applicable to the Series 1 and 2 director and employee incentive options are as follows:

	First 50% become exercisable	Second 50% become exercisable
Series 1	Share price trades above $0.50 for ten consecutive days	Share price trades above $1.00 for ten consecutive days
Series 2	Share price trades above $0.60 for ten consecutive days	Share price trades above $1.20 for ten consecutive days

Movements in share options	**Class A quoted**		**Class B unquoted**	
	2010 No of Options	**2009 No of Options**	**2010 No of Options**	**2009 No of Options**
Balance at beginning of the financial period	13,737,832	13,737,841	13,737,832	13,737,841
Exercised	(979)	(9)	-	(9)
Lapsed upon expiry at 31 May 2010	13,736,853	-	-	-
Closing balance at the end of financial period	-	13,737,832	13,737,832	13,737,832

Movements in share options	**Unquoted director and employee options**	
	2010 No of Options	**2009 No of Options**
Balance at beginning of the financial period	11,000,000	-
Granted, 1 September 2008 (Series 1)	-	9,850,000
Granted 16 April 2009 (Series 1)	-	700,000
Granted 25 June 2009 (Series 1)	-	1,500,000
Granted 14 June 2010 (Series 2)	2,850,000	-
Lapsed (Series 1)	(500,000)	(1,050,000)
Closing balance at the end of financial period	13,350,000	11,000,000

7. Reconciliation of the loss to the net cash flows from operations

Loss after tax	(7,097,258)	(6,506,321)
Non-cash items:		
Depreciation and amortisation	233,543	71,126
Interest expense and finance costs not paid in cash	13,169	-
Share based payment expenses	219,652	33,340
Accrual for employee bonus shares issued after year end	118,124	85,519
Reversal of tax refund receivable recorded in prior year	281,250	(281,250)
Net movement in provision for costs to complete on EPCM contract	(839,448)	367,396
Share of associated entities' net results	15,239	(90,128)
Capital raising expenses classified as cash flows of financing activities	140,000	196,437
Changes in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	(49,120)	415,099
(Increase)/decrease in prepayments	27,576	27,173
Increase/(decrease) in trade and other payables	(411,201)	609,377
Movement in provision for employee benefits	62,609	216,709
Net cash flow (used in) operating activities	(7,285,865)	(4,855,523)

8. Segment Reporting

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Managing Director and his management team in assessing performance and in determining the allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

During the year ended 30 June 2010 the Group did not receive any revenue from engineering services or from the commercial exploitation of the DiCOM technology. In the previous financial year 100% of the revenue from engineering services was received from a single customer that is based in Australia.

During the year the Group operated solely in the organic solid waste treatment industry in Australia.

The Group considers the segment assets and liabilities to be consistent with those disclosed in the financial statements.

9. DIVIDENDS

No dividends have been paid or declared during the year.

10. EARNINGS PER SHARE

	Company and consolidated 12 months June 30 2010	Company and consolidated 12 months June 30 2009
Basic earnings/(loss) per share (cents)	(4.4) cents	(5.6) cents
Weighted average number of shares used in the calculation of basic earnings per share	160,987,966	123,900,610

11. COMPLIANCE STATEMENT REGARDING AUDIT

This preliminary final report is based on accounts which are in the process of being audited.

Tom Rudas 31 August 2010
Managing Director