ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Appendix 4D

Lodged with the ASX under Listing Rule 4.2A

Half Year Ended 31 December 2010

(Previous corresponding period: Half Year Ended 31 December 2009)

Results for announcement to the market

				$
Revenue from ordinary activities	Down	52.4%	To	247,908
Loss from ordinary activities after tax	Down	4.7%	To	1,699,669
Loss for the period attributable to members	Down	4.7%	To	1,699,669

Explanation of Results
Please refer to the accompanying media release and 'Review of Operations' in the Directors' report that is within the Half year report.

Dividends
No payments made or declared for the half year ended 31 December 2010.

Financial Statements
Refer to the attached Financial Report.

Other information required by Listing Rule 4.2A
The remainder of the information requiring disclosure to comply with Listing Rule 4.2A is contained below, in the Director's Report, Financial Report and media release.

NTA Backing	**2010**	**2009**
Net tangible assets per share	-0.09 cents	-0.12 cents

Controlled entities acquired or disposed of
N/A

Associates and joint venture entities
Victoria Coldry Pty Ltd
Coldry East Kalimantan Pty Ltd

Audit
The audit report is contained in the attached Financial Report.

John Osborne

Company Secretary

24 February 2011

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Half Year Financial Report

31 December 2010

Level 8, 530 Little Collins Street, Melbourne Vic, 3000 Australia | Phone +613 9684 0888 | www.ectltd.com.au | ABN 28 009 120 405
Listed on the Australian Stock Exchange (ASX:ESI)

Contents

Company Details

Directors

Dave Woodall	Non-Executive Chairman
Dennis Brockenshire	Non-Executive Director
John Hutchinson	Non Executive Director
Stephen Carter	Non Executive Director

Secretary

John Osborne

Chief Executive

Kosmas Galtos

Principal Registered Office in Australia

Level 8
530 Little Collins St
Melbourne Vic 3000

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Perth 6153

Auditors

PKF Chartered Accountants
Level 14
140 William Street
Melbourne Victoria 3000

Bankers

National Australia Bank Limited
3/330 Collins Street
Melbourne Victoria 3000

Securities Exchange

ASX
Level 45, South Tower
525 Collins Street
Melbourne Victoria 3000

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Directors' Report - 31 December 2010

Your directors present their report on the accounts of the Company for the half-year ended 31 December 2010.

Directors

The following persons were directors of Environmental Clean Technologies Limited during the whole of the half-year and up to the date of this report:

D Woodall

J Hutchinson

D Brockenshire

S Carter

Mr Hanley ceased to be a director of the company on 26 November 2010.

Review and Results of Operations

The net result of operations after applicable income tax expense was a loss of $1,699,669 (2009 loss: $1,784,429). The loss decrease was chiefly attributable to a reduction in costs associated with finance and corporate costs.

Key Events:

- **Cash position reduced to $672,726 (30 June 2010: $1,016,760).**

  For the half year ended 31 December 2010, two convertible notes were issued with a face value of US$400,000 each, whereas for the half year ended 31 December 2009, ECT raised $2.64 million (before costs and expenses) via a Placement of new shares and options to institutional, experienced and sophisticated investors which is the key reason behind 2009 cash position being greater than that at 31 December 2010.

- **Coldry – China Patent fully issued**

  In August 2010, ECT announced that the company's Coldry Chinese patent application had been issued as a patent with the official patent number being ZL200480031850.2

- **ECT forms strategic alliance with JC Steele**

  In October 2010, ECT formed a strategic alliance with United States based global equipment supplier JC Steele & Sons (JCS). The Collaboration Agreement means JCS will supply a 'series 25' pug mill and extruder combination, at its cost to ECT's Coldry pilot plant at Bacchus Marsh, with a replacement value in excess of $250,000, which will assist in the localisation study leading to the Victoria Coldry Project at Loy Yang Power Station and enable ECT to produce larger 'test burn' quantities of Coldry for its sales prospects. The deal will deliver world-class support for the on-going refinement and optimisation of a key stage in the Coldry process.

- **Issue of Convertible Note**

  ECT signed a funding agreement with La Jolla Cove investors in October 2010 whereby ECT will issue a series of **convertible notes** to La Jolla Cove with a total issue price of up to US$2,500,000. As at 31 December 2010 two convertible notes with a face value of US$400,000 each were issued on 4 November 2010 and on 6 December 2010. Following the issue of the new notes there have been two partial conversions each of US$100,000 (on 7 December 2010 and 30 December 2010) of the note issued on 4 November 2010.

- **Director not re-elected**

  ECT's Annual General Meeting (AGM) was held Friday 26 November where Mr Larry Hanley was standing for re-election pursuant to the Company's Constitution and the ASX Listing Rules. A poll was called on the resolution for Mr Hanley's re-election and there were 70.7 million votes in favour of his re-election and 81.4 million votes against, with 0.4 million abstentions. As a result, the resolution did not succeed and Mr Hanley ceased to be a director of the Company effective at the end of the AGM.

Dividends

No dividends were declared by the directors of ECT in relation to the half year period ended 31 December 2010.

Matters Subsequent to the End of the Financial Half Year

On 4 February 2011, ECT announced the collaborative upgrade of its Coldry pilot plant with JC Steele was complete. The upgrade will enable a higher production capacity (20,000 tonne per year maximum), faster turnaround of large test samples, improved product quality and the refinement of operational parameters to fine-tune the commercial scale design. Subsequent to this, ECT announced on 9 February 2011, that it had signed its first local Coldry sale with Maryborough based company BAIC. The Company is scheduled to produce several thousand tonnes of Coldry in coming months to meet the needs of domestic testing by power stations in addition to the sale of pellets to BAIC.

An additional key event subsequent to the end of the financial half year includes the issue of a third and fourth convertible note on 10 January 2011 and 8 February 2011 respectively, each with a face value of US$250,000. A partial conversion of the note issued on 4 November 2010 was also undertaken on 21 January 2011.

Significant Changes in the State of Affairs

There was no significant change in the state of affairs of the company, during the year.

Future Developments

At the date of this report, there are no likely developments in the operations of this company required to be reported in accordance with sub-section 299(1)(e) of the Corporations Act 2001.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001, is set out on page 6.

This report is made in accordance with a resolution of the directors.

Mr D Woodall

Director

Melbourne, 24 February 2011

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Environmental Clean Technologies Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Environmental Clean Technologies Limited and the entities it controlled during the year.

David Garvey
Partner
PKF

24 February 2011
Melbourne

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PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Environmental Clean Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Environmental Clean Technologies Limited which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Environmental Clean Technologies Limited (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2010 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 Environmental Clean Technologies Limited, 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 other 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 review opinion.

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 the consolidated entity is not in accordance with the *Corporations Act 2001* including:

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a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) in the half-year financial report which indicates that the consolidated entity has incurred a net loss attributable to members of $1,699,669 during the half-year ended 31 December 2010 (31 December 2009 loss $1,784,429) and had cash outflows from operating activities of $1,134,177 (31 December 2009 $1,820,549). These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern, and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

PKF

PKF

D J Garvey
Partner

24 February 2011
Melbourne

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 9 to 17 are in accordance with the *Corporations Act 2001*, including:

- (i) Complying with Accounting Standard AASB 134 Interim Financial Reporting, *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the financial period ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

The directors have been given the declarations by the chief executive required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors

David Woodall
Director

Melbourne, 24 February 2011.

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Consolidated Statement of Comprehensive Income

		31 Dec 2010	31 Dec 2009
		$	$
Revenue from Continuing Operations	3(a)	22,908	33,573
Other Revenue	2	224,737	486,643
		247,645	520,216
Corporate costs		365,152	729,363
Depreciation and amortisation expenses		279,603	296,625
Employee benefits expense		587,258	588,621
Finance costs	3(b)	10,108	275,958
Legal costs		209,112	171,283
Sales & Marketing		48,708	-
Occupancy expenses		49,231	55,601
Plant		41,255	34,928
Travel and accommodation expenses		153,579	123,934
Unwinding of Earn Out	8	175,566	-
Other		27,742	28,332
Loss before Income Tax Expense		(1,699,669)	(1,784,429)
Income Tax Expense		-	-
Loss for the period attributable to owners of the parent		**(1,699,669)**	**(1,784,429)**
Other Comprehensive Income		-	-
Total comprehensive income for the period attributable to owners of the parent		**(1,699,669)**	**(1,784,429)**
		Cents	**Cents**
Basic earnings per share		(0.21)	(0.25)
Diluted earnings per share		(0.21)	(0.25)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

Consolidated Statement Of Financial Position

	Note	31 Dec 2010	30 June 2010
		$	$
Current Assets			
Cash and cash equivalents	**4**	672,726	1,016,760
Trade and other receivables	**6**	42,070	56,632
Other current assets	**7**	96,193	410,126
Total Current Assets		810,989	1,483,518
Non-Current Assets			
Investments accounted for using the equity method		2	2
Property, plant and equipment		195,710	234,315
Intangible Assets		8,880,000	9,120,000
Total Non-Current Assets		9,075,712	9,354,317
Total Assets		9,886,701	10,837,835
Current Liabilities			
Trade and other payables		211,597	454,023
Provisions		73,591	58,885
Total Current Liabilities		285,188	512,908
Non-Current Liabilities			
Interest bearing liabilities		307,379	-
Other financial liabilities		1,101,853	926,287
Total Non-Current Liabilities	**8**	1,409,232	926,287
Total Liabilities		1,694,420	1,439,195
Net Assets		8,192,281	9,398,640
Equity			
Issued capital		43,431,422	43,228,522
Reserves		723,907	433,497
Accumulated losses		(35,963,048)	(34,263,379)
Total Equity		8,192,281	9,398,640

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement Of Changes In Equity

	Issued Capital	Reserves	Retained Earnings	Total Equity
	$	$	$	$
Balance at 1 July 2009	**37,716,486**	**1,195,346**	**(31,302,825)**	**7,609,007**
Loss for the Period	-	-	(1,784,429)	(1,784,429)
Total comprehensive income for the period	**-**	**-**	**(1,784,429)**	**(1,784,429)**
Issue of shares by the Group	4,360,637	-	-	4,360,637
Balance 31 December 2009	**42,077,123**	**1,195,346**	**(33,087,254)**	**10,185,215**

	Issued Capital	Reserves	Retained Earnings	Total Equity
Balance at 1 July 2010	**43,228,522**	**433,497**	**(34,263,379)**	**9,398,640**
Loss for the Period	**-**	**-**	(1,699,669)	(1,699,669)
Total comprehensive income for the period	**-**	**-**	**(1,699,669)**	**(1,699,669)**
Equity component of convertible notes issued	-	290,410	-	290,410
Issue of shares by the Group	202,900	-	-	202,900
Balance 31 December 2010	**43,431,422**	**723,907**	**(35,963,048)**	**8,192,281**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement Of Cash Flows

	31 Dec 2010	31 Dec 2009
	$	$
Cash Flows from Operating Activities		
Research and Development Offset	533,602	-
Payments to suppliers and employees	(1,690,687)	(1,756,108)
Interest received	22,908	10,217
Interest paid	-	(74,658)
Net Cash Outflow from Operating Activities	(1,134,177)	(1,820,549)
Cash Flows from Investing Activities		
Payments for property, plant & equipment	(998)	(20,140)
Net Cash Outflow from Investing Activities	(998)	(20,140)
Cash Flows From Financing Activities		
Receipts from issue of equity	791,141	3,177,133
Net Cash Inflow from Financing Activities	791,141	3,177,133
Net Increase (Decrease) in Cash Held	(344,034)	1,336,444
Cash at the beginning of the reporting period	2,223,025	886,581
Cash at the End of the Reporting Period	672,726	2,223,025

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes To And Forming Part Of The Financial Statements

1. Basis Of Preparation Of Half-Year Report

This general purpose financial report for the interim half year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Environmental Clean Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

1(a) Intangible Assets - Patents trademarks and licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Licences comprise intellectual property and registered trademarks and patents. Amortisation is calculated using the straight line method, over the estimated useful lives of 20 years.

1(b) Going Concern

For the half year ended 31 December 2010 the consolidated entity had an operating loss before tax of $1,699,669 (31 December 2009 loss $1,784,429), and cash outlow from operating activities of $1,134,177 (31 December 2009 outflow $1,820,549). Furthermore, the consolidated entity has not had a source of income and is reliant on equity capital or loans from third parties to meet its operating costs. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

To this end, the company and consolidated entity are expecting to fund ongoing obligations as follows:

i) ECT signed a funding agreement on 28 October 2010 with La Jolla Cove investors whereby ECT will issue a series of convertible notes to La Jolla Cove with a total issue price of up to US$2,500,000. As at 31 December 2010 two convertible notes with a face value of US$400,000 were issued on 4 November 2010 and on 6 December 2010. The terms of these convertible notes include interest payable at 0% if the share price is above $0.02 and 4.75% if it falls below $0.02. The note holder is entitled to convert their notes at the lower of $0.20 or at a 20% discount to the company's VWAP for the 15 trading days up to and including the conversion date. Following the issue of the new notes there have been two partial conversions of the note issued on 4 November 2010 on 7 December 2010 and 30 December 2010. Subsequent to the half year reporting period, a third and fourth convertible note were issued on 10 January 2011 and 8 February 2011 respectively, each with a face value of US$250,000. A partial conversion of the note issued on 4 November 2010 was also undertaken on 21 January 2011.

ii) The company expects to receive its 2010 R&D tax offset in late April 2011 amounting to approximately $200,000.

iii) Subsequent to the end of financial half year, ECT announced on 4 February 2011 the collaborative upgrade of its Coldry pilot plant with JC Steele was complete. The upgrade will enable a higher production capacity (20,000 tonne per year maximum), faster turnaround of large test samples, improved product quality and the refinement of operational parameters to fine-tune the commercial scale design. ECT then announced on 9 February 2011, that it had signed its first local Coldry sale with Maryborough based company BAIC. The Company is scheduled to produce several thousand tonnes of Coldry in coming months to meet the needs of domestic testing by power stations in addition to the sale of pellets to BAIC.

iv) As at 31 December 2010 the company has on issue as part of the Share Purchase Plan and other placements, 497,264,535 options that can be converted by option holders to ordinary shares in the company at an exercise price of two cents per share. The share price at the time of signing this report is giving the directors comfort that this will be a source of funds in the next 12 months. Should all options be converted into shares, the company will raise $9.94 million.

v) ECT signed a license agreement with Vietnamese company Thang Long Investment and Joint Stock Company (TinCom) in June 2010. A planned stage 1 construction of a plant of 2 million metric tonne per annum (Mmtpa) of Coldry Black Coal Equivalent (BCE) pellets by late 2013 will generate $10M per year revenue, based on a A$5 per tonne royalty. The deal follows the release of a detailed term sheet on 6 May 2010 which includes the exclusive right to market the Coldry Product within Victoria for 5 years from the date of completion of the Stage 1 plant construction as well as exclusive rights to manage and market Coldry product imports into Vietnam and the license to Coldry intellectual property that enables exclusive construction of export plants in Victoria, Australia and Vietnam as well as non-exclusive rights for plant construction in Indonesia and the rest of Australia.

Based on the above and cash flow forecasts prepared, the directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do 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 necessarily incurred should the consolidated entity not continue as a going concern.

2. Other Revenue

Other revenue is $224,737 which represents the 2009 Research and Development Offset. This claim was reported and lodged with the Australian Taxation Office in October 2010 and was subsequently received in November 2010. The 2009 comparative of $486,643 included the 2007 R&D tax offset of $234,316 and gain on settlement on rollover of the convertible note from RC Johnson to Halcrows Holdings amounting to $252,327.

ENVIRONMENTAL CLEAN TECHNOLOGIES LIMITED

3. Interest Revenue and Expense

	31 Dec 2010	31 Dec 2009
	$	$
Operating profit before income tax is arrived at after:		
a. crediting interest as revenue	22,908	33,573
b. charging interest as an expense		
- finance charges	-	74,658
- unwinding present value of convertible note	9,559	200,966
- fees	549	333
	10,108	275,957

The unwinding present value of convertible note represents the reversal of the discount of the convertible notes face value and its fair value based on a 25.25% discount to 31 December 2010.

4. Cash And Cash Equivalents

	31 Dec 2010	30 Jun 2010
	$	$
Cash at bank and in hand	672,726	1,016,760
	672,726	1,016,760

(a) The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

Balances as above	672,726	1,016,760
Balances per statement of cash flows	672,726	1,016,760

5. Issuances, Repurchases And Repayments Of Securities

During the half-year reporting period, Environmental Clean Technologies Ltd issued 11,696,306 ordinary shares upon conversion of convertible notes.

	No. Shares
Balance at 30 June 2010	784,693,458
Issue of shares through conversion of convertible note	11,696,306
Balance at 31 December 2010	**796,389,764**

6. Receivables

	31 Dec 2010	30 June 2010
	$	$
Goods & Services Tax (GST) Receivable	42,070	56,632
	42,070	56,632

7. Other

	31 Dec 2010	30 June 2010
	$	$
Loans	25,829	28,679
Deposits Paid	18,789	18,689
Prepayments	51,475	32,714
Other	100	21,179
R&D Tax Offset Receivable	-	308,865
	96,193	410,126

8. Non-Current Liabilities

	31 Dec 2010	30 June 2010
	$	$
Convertible Notes	307,379	-
Earn Out Creditor[1]	1,101,853	926,287
	1,409,232	926,287

The debt portion of the convertible note has been calculated at its fair value in accordance with AASB 139 – Financial Instruments: Recognition and Measurement.

In late October 2010 the company negotiated the issue of a series of convertible notes with a total progressive issue price totalling US$2,500,000. As at 31 December 2010 two convertible notes with a face value of US$400,000 were issued on 4 November 2010 and on 6 December 2010. The terms of these convertible notes include interest payable at 0% if the share price is above $0.02 and 4.75% if it falls below $0.02. The note holder is entitled to convert their notes at the lower of $0.20 or at a 20% discount to the company's VWAP for the 15 trading days up to and including the conversion date.

Following the issue of the new notes there have been two partial conversions of the note issued on 4 November 2010 on 7 December 2010 and 30 December 2010.

[1] On 29 June 2009, ECT acquired the units in the Coldry Trust and the shares in Maddingley Coldry Pty Ltd, the entities which owned the Coldry intellectual property. Under the asset purchase agreement, part of the cost to ECT included a payment of up to $3,000,000 as an earn-out payable based on the rate of $0.50 for every tonne of coal produced from any commercialisation of the Coldry Technology. The fair value of the earn-out is calculated based on the co-ordination agreement with TinCom where the expected royalty payments have been calculated using the production timetable and a rate of $0.50 per tonne of coal.

In calculating the fair value of the debt portion of the financial instruments, the directors have discounted the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments which the directors have assessed to be 25.25%.

9. Financial Reporting By Segments

A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The company operates predominantly in the environmental and energy industry, and a single geographic segment being Australia. The board of directors assess the operating performance of the group based on management reports that are prepared on this basis.

10. Events Occurring After Reporting Date

A third Convertible Note was issued on 10 January 2011 with an issue price of A$244,846 (US$250,000). The Convertible Note has a maturity date of 10 January 2014 and, on this date, the outstanding principal amount of the Convertible Note (being the outstanding issue price of the Convertible Note to the extent that it has not been converted) will be repaid by the Company. This Note was issued in accordance with the same terms and conditions as the prior two notes and is convertible into ordinary shares based on the average of the three lowest VWAP during the 15 trading days prior to the date of conversion of part or all of the Convertible Note.

Additionally, on 21 January 2011, there was a part conversion of the Convertible note that was issued on 4 November 2010. This conversion resulted in ordinary shares totalling 10,767,285 being issued at $0.0179 per share (A$192,734).

11. Commitments And Contingent Liabilities

There were no material commitments or contingencies as at 31 December 2010.