



Living Cell Technologies Limited

Consolidated Financial Report

31 December 2011

Living Cell Technologies Limited

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Living Cell Technologies Limited

Directors' Report

31 December 2011

The directors present their report, together with the financial statements, on the consolidated entity consisting of Living Cell Technologies Limited and its controlled entities for the financial half year ended 31 December 2011.

1. General information

(a) Directors

The names of the directors in office at any time during, or since the end of the half year are:

Names	Appointed/Resigned
Roy Austin (Chairman)	
Robert Elliott	
Laurie Hunter	
Bernard Tuch	Appointed - 20 July 2011
Robert Willcocks	

Directors have been in office since the start of the half financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial half year ended 31 December 2011:

Nick Geddes, FCA, FCIS

2. Business review

(a) Operating Results

The consolidated profit for the half year amounted to \$8,133,128. (2010: Loss of \$4,276,463).

(b) Review of operations

Living Cell Technologies Limited ('LCT') develops live cell based therapy products to treat life threatening human diseases. LCT's encapsulation technology enables healthy living cells of animals to be implanted into humans who have deficient cells or organs. LCT's products do not require the use of immunosuppression to prevent rejection due to the proprietary encapsulation technology used with the cells.

On 1 November 2011 LCT sold DIABECCELL®, a treatment for Type 1 diabetes to regulate blood glucose levels and avoid long term complications created by the disease, to a 50% owned company Diatranz Otsuka Limited (DOL). This sale included the specialised pig breeding facilities that enable the use of pig cells and tissues for human medicinal purposes. The Company has a services agreement to provide R&D and administrative services to DOL and an agreement for DOL to provide pig cells and facilities to LCT for use in fields other than diabetes.

Living Cell Technologies Limited

Directors' Report

31 December 2011

2. Business review continued

(b) Review of operations continued

The Company is also developing NTCELL, a suite of products for neurological disorders, which are at various stages of pre-clinical development and discovery. A primate study with NTCELL for Parkinson's disease has been carried out with very promising behavioural results. The Company is planning to start a clinical trial of this exciting product in 2012.

3. Financial Review

(a) Financial Position

The net assets of the consolidated group have increased by \$8,180,536 from \$6,760,236 at 30 June to \$14,940,772 as at 31 December 2011. The increase was largely due to the sale of the DIABECCELL related assets to the joint venture DOL.

(b) Cash from Operations

Net cash outflow from operating activities moved from \$3,067,922 in the previous year to \$2,078,282.

(c) Liquidity and Funding

As at 31 December 2011 the consolidated group had \$2,502,484 cash in the bank, compared to \$4,504,677 as at 30 June 2011 and \$1,822,653 at 31 December 2010, which based on current levels of operational cash flow requirements would allow the Group to fund current operations for approximately 12 months.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Unless further new funds are raised or expenditure curtailed there is material uncertainty which may cast significant doubt on the ability of the consolidated entity to continue as a going concern and pay its debts as and when they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the half year financial report. Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they still consider that there is good reason to believe that additional cash will be sourced by the consolidated entity. Recently directors have received two fundraising proposals and management is in discussion with other financiers and is considering other funding measures.

4. Other Items

(a) Significant Events during the period

(i) 20 July 2011

Prestigious medical researcher appointed to the board of directors

Dr Tuch, B Sc, MBBS (Hons), FRACP, Ph D, has vast research and clinical experience in islet transplantation, is a practicing endocrinologist, and is recognised internationally as a leader in cell transplantation.

Living Cell Technologies Limited

Directors' Report

31 December 2011

4. Other Items continued

(a) Significant Events during the period continued

(ii) 26 July 2011 **SpringTree Facility Terminated by mutual consent**

The Share Purchase and Convertible Security Agreement with SpringTree Special Opportunities Fund, LP was terminated with effect from 1 August 2011. This facility provided funds for the continued development of DIABECCELL which has attracted interest and investment from Otsuka and ASK.

(iii) 22 August 2011 **Two patients implanted with DIABECCELL in Argentina**

The first two patients participating in the Phase II clinical trial of DIABECCELL in Buenos Aires, Argentina received the first of two implants. This is the third jurisdiction where LCT has carried out clinical trials. Up to 8 patients will receive up to two implants of DIABECCELL three months apart.

(iv) 19 October 2011 **Otsuka commits \$A25 million to Joint Venture with LCT**

Living Cell Technologies agreed to establish a 50/50 joint venture company Diatranz Otsuka Limited (DOL) with Otsuka Pharmaceutical Factory, Inc. to accelerate the commercialisation of DIABECCELL. DOL will contract with LCT to further refine the product, complete the clinical trials in New Zealand, Russia and Argentina, obtain product registration and bring DIABECCELL to market.

(v) 2 November 2011 **\$A50 million JV to commercialise DIABECCELL settled**

Settlement of the transactions relating to 50/50 joint venture company Diatranz Otsuka Limited (DOL) has been successfully completed. Otsuka Pharmaceutical Factory, Inc. has deposited \$A25m into DOL's bank account and LCT's DIABECCELL assets valued at \$A25m have been transferred to DOL. These assets include patents, trademarks, manufacturing and R&D facilities and the designated pathogen free pig herd. LCT has agreed to supply testing, R&D, pig breeding, clinical trial and administrative services to DOL and DOL has agreed to provide facilities and pig products to LCT at commercial rates.

(vi) 28 December 2011 **Dr Grant appointed Chief Executive**

Andrea Grant PhD BA (Hons) was appointed Chief Executive commencing on 16 January 2012. Dr Grant has over 15 years' of executive experience in the medical research and pharmaceutical fields in Europe, USA and New Zealand. She has a PhD in molecular neurobiology and BA (Hons) in biochemistry from Cambridge University, UK

Subsequent Events

(i) 1 February 2012 **LCT granted USA Patent for Auckland Island Pigs**

Living Cell Technologies Limited was granted U.S. Patent No. 8,088,969 from the United States Patent and Trademark Office. The patent, which was issued on 3 January 2012 and expires on 10 November 2028, provides exclusive rights to the cells and tissue derived from Auckland Island pigs for xenotransplantation therapies. It protects the holder's ability to commercialise therapies based on its core cell encapsulation and xenotransplantation capabilities.

Living Cell Technologies Limited

Directors' Report

31 December 2011

4. Other Items continued

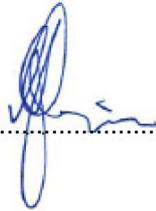
(b) Auditors Independence Declaration

The lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 for the half year ended 31 December 2011 has been received and can be found on page 5 of the financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors:

Director:



Dated this 29th day of February 2012



Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Living Cell Technologies Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the review for the financial half-year ended 31 December 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'T Sydenham'.

Tim Sydenham

PKF

28 February 2012

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Living Cell Technologies Limited

Consolidated Statement of Comprehensive Income

For the half year to 31 December 2011

		31 December 2011	31 December 2010
	Note	\$	\$
REVENUE			
Services provided		878,514	164,380
Interest		66,423	72,682
Dividends		264	371
Total revenue		945,201	237,433
Cost of services provided		(808,543)	-
Gross profit		136,658	237,433
Grant income		421,515	803,215
Gain on sale of Intellectual Property	3	11,182,527	-
Research & development costs		(1,765,165)	(2,804,607)
Administrative costs		(1,097,273)	(1,618,021)
Occupancy costs		(230,356)	(290,727)
Finance costs		(7,862)	(7,028)
Foreign exchange		(63,319)	(596,728)
Share of profit/(loss) of joint venture	3(b)	(443,597)	-
Profit/(loss) from continuing operations before income taxes		8,133,128	(4,276,463)
Income tax		-	-
Profit/(Loss) attributable to members of the parent entity		8,133,128	(4,276,463)
Other comprehensive income			
Exchange differences on translating foreign operations net of tax		(145,071)	251,485
Other comprehensive income		(145,071)	251,485
Total comprehensive income		7,988,057	(4,024,978)

Earnings per share:

From continuing operations:

Basic & diluted earnings/(loss) per share (cents per share)	5	2.40	(1.51)
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The above Statement should be read in conjunction with the accompanying notes and the 30 June 2011 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Financial Position

As at 31 December 2011

	31 December 2011	30 June 2011
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash & cash equivalents	2,502,484	4,504,677
Trade and other receivables	283,948	167,203
Other assets	53,531	39,054
TOTAL CURRENT ASSETS	2,839,963	4,710,934
NON-CURRENT ASSETS		
Property, plant & equipment	4 38,584	2,471,449
Biological assets	4 -	289,249
Investment in joint venture	3 13,152,497	-
TOTAL NON-CURRENT ASSETS	13,191,081	2,760,698
TOTAL ASSETS	16,031,044	7,471,632
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	901,522	520,497
Provisions	188,750	190,899
TOTAL CURRENT LIABILITIES	1,090,272	711,396
NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	1,090,272	711,396
NET ASSETS	14,940,772	6,760,236
EQUITY		
Share capital	59,673,483	59,353,196
Reserves	600,955	1,064,294
Accumulated losses	(45,333,666)	(53,657,254)
TOTAL EQUITY	14,940,772	6,760,236

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2011 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2011

31 December 2011

	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Convertible Instruments Reserve \$	Total \$
Balance as at 1 July 2011	332,412,275	59,353,196	(53,657,254)	(244,550)	1,133,844	175,000	6,760,236
Profit/(Loss) attributable to members of the parent entity	-	-	8,133,128	-	-	-	8,133,128
Other comprehensive income	-	-	-	(145,071)	-	-	(145,071)
Total comprehensive income	-	-	8,133,128	(145,071)	-	-	7,988,057
Shares issued during the period	2,767,528	150,000	-	-	-	-	150,000
Conversion of securities	3,939,889	175,000	-	-	-	(175,000)	-
Share issue transaction costs	-	(4,713)	-	-	-	-	(4,713)
Share based remuneration	-	-	-	-	47,192	-	47,192
Options expired during the period	-	-	190,460	-	(190,460)	-	-
Balance at 31 December 2011	339,119,692	59,673,483	(45,333,666)	(389,621)	990,576	-	14,940,772

31 December 2010

	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Convertible Instruments Reserve \$	Total \$
Balance as at 1 July 2010	274,266,196	52,430,728	(47,664,814)	(91,721)	1,565,429	-	6,239,622
Loss attributable to members of the parent entity	-	-	(4,276,463)	-	-	-	(4,276,463)
Other comprehensive income	-	-	-	251,485	-	-	251,485
Total comprehensive income	-	-	(4,276,463)	251,485	-	-	(4,024,978)
Shares issued during the period	9,523,810	2,000,000	-	-	-	-	2,000,000
Share issue transaction costs	-	(142,450)	-	-	-	-	(142,450)
Share based remuneration	-	-	-	-	147,384	-	147,384
Options expired during the period	-	34,680	712,869	-	(747,549)	-	-
Balance at 31 December 2010	283,790,006	54,322,958	(51,228,408)	159,764	965,264	-	4,219,578

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2011 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2011

	31 December 2011 \$	31 December 2010 \$
Note		
Cash from operating activities:		
Receipts from customers	1,260,422	268,326
Payments to suppliers & employees	(3,912,353)	(4,693,755)
Grants received	514,745	1,230,100
Interest received	58,636	127,029
Dividends received	268	378
Net cash used in operating activities	(2,078,282)	(3,067,922)
Cash flows from investing activities:		
Payment for plant and equipment	(40,622)	(62,440)
Proceeds from sale of plant, property & equipment	1,308	800
Net cash used by investing activities	(39,314)	(61,640)
Cash flows from financing activities:		
Proceeds from issue of shares	150,000	2,000,000
Payment of share issue transaction costs	(4,713)	(142,450)
Repayment of borrowings	-	(7,383)
Net cash provided by financing activities	145,287	1,850,167
Net cash decrease in cash and cash equivalents	(1,972,309)	(1,279,395)
Cash and cash equivalents at beginning of year	4,504,677	3,121,524
Exchange rate changes on cash and cash equivalents	(29,884)	(19,476)
Cash and cash equivalents at 31 December 2011	2,502,484	1,822,653

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2011 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2011

1. Statement of Significant Accounting Policies

(a) Basis of preparation

This general purpose financial report for the interim half-year ending 31 December 2011 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards AASB134 Interim Financial Reporting.

The financial report covers the consolidated entity of Living Cell Technologies Limited and its controlled entities. The financial report has been presented in Australian dollars, the group's presentation currency. The report consists of the financial statements, notes to the financial statements and the directors' declaration.

The 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 made by Living Cell Technologies Limited for the year ended 30 June 2011 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2011.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Going concern

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 31 December 2011 the consolidated group had \$2,502,484 cash and cash equivalents. The net cash used in operating activities was \$2,078,282 for the half-year ended 31 December 2011. Based on current and forecasted levels of operational cashflow requirements, unless further new funds are raised or expenditure curtailed there is material uncertainty which may cast significant doubt on the ability of the consolidated entity to continue as a going concern.

Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they still consider that there is good reason to believe that additional cash will be sourced by the consolidated entity. Recently directors have received fundraising proposals and management is in discussions with other financiers.

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2011

1. Statement of Significant Accounting Policies continued

(b) Going concern continued

Initiatives already taken include:

- Sale of DIABECELL assets and premises to 50% owned joint venture Diatranz Otsuka Limited.

Planned initiatives include:

- Negotiation with parties to provide additional capital.
- Application for grants to fund the development of NTCELL.
- Other opportunities to increase cash are being actively explored.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- There will be a cash injection from potential investors and grantors;
- The group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

2. Expenses from continuing operations

The following expense items are relevant in explaining the financial performance for the interim period:	31 December	31 December
	2011	2010
	\$	\$
Other expenses		
Share-based payment	47,192	147,383
Depreciation & amortisation of plant, property & equipment	111,218	174,127

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2011

3. Sale of assets to joint venture

(a) Interest in joint venture Operations

On 1 November 2011 the parent entity, Living Cell Technologies Limited, settled the formation of a 50/50 owned joint venture company, Diatranz Otsuka Limited, with Otsuka Pharmaceutical Factory, Inc. to accelerate the commercialisation of DIABECCELL.

Living Cell Technologies Limited and Otsuka Pharmaceutical Factory, Inc. have established joint control by each shareholder appointing two directors. These directors make decisions in relation to the relevant activities of Diatranz Otsuka Limited.

The consolidated group's DIABECCELL assets were sold to Diatranz Otsuka Limited for \$25 million of shares. Otsuka Pharmaceutical Factory, Inc. deposited \$25 million of cash in to Diatranz Otsuka Limited for a 50% shareholding. There are no commitments by either company to Diatranz Otsuka Limited and the joint venture has no contingent liabilities as at 31 December 2011.

Living Cell Technologies provides research and development and administrative services to Diatranz Otsuka Limited at commercial rates and has a services and supply agreement, on commercial terms, to access the facilities and designated pathogen free pigs for products other than diabetes.

Taxable gains made on the sale of DIABECCELL intellectual property will be offset against losses carried forward. Plant, property and equipment and biological assets were sold to Diatranz Otsuka Limited at book value.

(b) Investment in joint venture

	\$
50% of net assets of Joint Venture at 1-Nov-11	25,000,000
Foreign exchange movement between 1-Nov-11 & 31-Dec-11	(221,382)
50% of joint venture loss for the period	(443,597)
Elimination of 50% of gain on sale of assets	(11,182,524)
Investment in joint venture at 31-Dec-11	13,152,497

(c) Gain on sale of assets

	\$
Proceeds of asset sale to joint venture	25,000,000
Less carrying value at 1-Nov-2011	
Plant, property & equipment	(2,347,124)
Pig herd	(287,825)
Intellectual property	-
Gain on sale of assets	22,365,051
Elimination of 50%	(11,182,524)
Gain on sale of intellectual property	11,182,527

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2011

4. Plant, property, equipment & biological assets

	Opening book value 1-Jul-2011 \$	Additions \$	Depreciation \$	Assets sold to DOL 1-Nov-2011 \$	Foreign exchange movements \$	Closing book value 31-Dec-2011 \$
Plant, property & equipment						
Pig facilities	1,518,613	-	(43,602)	(1,468,250)	(6,761)	-
Plant & equipment	650,128	33,912	(47,229)	(597,851)	(376)	38,584
Leasehold improvements	196,936	-	(6,967)	(189,114)	(855)	-
Fixtures & fittings	28,977	-	(1,663)	(27,198)	(116)	-
Office equipment	68,211	-	(10,950)	(56,963)	(298)	-
Motor vehicles	8,584	-	(807)	(7,748)	(29)	-
Total plant, property & equipment	2,471,449	33,912	(111,218)	(2,347,124)	(8,435)	38,584
Biological assets						
Auckland Island pig herd	289,249	-	-	(287,825)	(1,424)	-
Total Biological Assets	289,249	-	-	(287,825)	(1,424)	-

5. Earnings per share

The following reflects the income and share information used in the calculation of basic and diluted earnings per share:

	31 December 2011	31 December 2010
Earnings used to calculate basic EPS	\$8,133,128	\$(4,276,463)
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic EPS	338,412,467	283,242,061

6. Net asset backing

	31 December 2011	30 June 2011
Net tangible assets per ordinary share (cents per share)	4.41	2.04

7. Segment reporting

The consolidated entity only operates one business segment being the research and development and product development into living cell technologies, predominantly in New Zealand.

8. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2011

9. Company details

The registered office of the company is:

Living Cell Technologies Limited
Level 3, 70 Pitt Street
Sydney NSW 2000

The principal place of business is:

PO Box 23566
Hunters Corner, Manukau, 2155
Auckland, New Zealand

Living Cell Technologies Limited

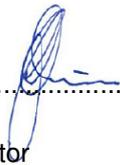
Directors' Declaration

The directors of Living Cell Technologies limited declare that:

- (a) The financial statements and note, as set out on pages 7 to 14 are in accordance with the Corporations Act 2001 including that they:
 - (i) give a true and fair view of the financial position as at 31 December 2011 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001
- (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.

This declaration is made in accordance with a resolution of the Board of Directors, and is signed for and on behalf of the directors;

Dated at Auckland on the 28th day of February 2012


..... 28/2/2012
Director

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2011 Annual Report.



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT LIMITED CELL TECHNOLOGIES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Living Cell Technologies Ltd which comprises the statement of financial position as at 31 December 2011, 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 Living Cell Technologies Ltd ("the company") and the entities it controlled at 31 December 2011 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 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Living Cell Technologies Ltd, 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 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:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity had net cash outflows from operations of \$2,078,282 for the half-year ended 31 December 2011. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

**PKF**

Tim Sydenham
Partner

Sydney, 28 February 2012