



Electrometals Technologies Limited
ABN 25 000 751 093

Annual Report
Year Ended 31 December 2010

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CHAIRMAN'S REVIEW

Our sales of new EMEW® plants remained subdued in 2010, which, combined with our increased activity in pursuing DBOO (develop, build, own, operate) projects and process development work, led to an unsatisfactory financial result. Despite this, we delivered three new plants for two operations to treat spent industrial solutions and industrial waste products, involving two new EMEW® applications; one to produce copper with the potential for add-on cadmium and cobalt production and the other to produce tin metal.

After some time prospecting for opportunities to produce metal products using our know-how, EMEW® technology and integrated companion technology, we have settled on a project in the USA to be wholly owned by Electrometals, subject to a favourable final feasibility study, where we expect to commence production before the end of 2011. Based upon the work completed mostly in 2009 and 2010, a project scoping study was completed early in 2011, from which our board approved the feasibility study to commence immediately.

In July 2010, we announced the sale of our 51% shareholding in Kurion Technologies Ltd, our former UK subsidiary, after it was concluded that there was a divergence between Electrometals and the remaining 49% shareholder about the future direction of Kurion. There is an understanding between Electrometals and Kurion to co-operate in business opportunities in the future.

Since August 2007, we have periodically reported on the progress of a legal action lodged in the Queensland Supreme Court, brought against the company by a customer in Chile to which we supplied an EMEW® plant in 2002. At all times we maintained that we had a defensible legal position and I am pleased to confirm that, in October 2010, we were able to announce that the matter had been discontinued by agreement between the parties. During the three years of this dispute, however, there were considerable costs in executive time and lost opportunity costs, apart from direct costs of \$478,000 responding to this claim. The magnitude of the claim compared with the liquid assets of the company made it imperative that the matter be resolved before a clear direction could again be mapped out for Electrometals.

While our financial result for 2010 are detailed in the following statutory accounts, in summary:

- Revenue was \$3,947,935
- Results were a loss of \$2,441,524
- Our cash position was reduced by a negative cash flow of \$1,472,209

After a full review of our business prospects for 2011, including our expected need for capital expenditure to develop our first DBOO project (subject to the feasibility study now underway), the board decided in February 2011 to make a rights offering to eligible shareholders and eligible optionholders, to raise approximately \$4.3 million, prior to expenses. The offers are fully underwritten by the company's largest shareholder, Waverton Holdings Limited. The details of these offers are outlined in a prospectus lodged with ASIC on February 28, 2011 and released to the ASX on that day, together with a supplementary prospectus dated 15 March.

Again, I am indebted to our hard working staff and my fellow directors for their continued support in 2010.

R.E. KEEVERS
Chairman & CEO

REVIEW OF OPERATIONS

During 2010, Electrometals continued with the principal activities of:

- **Equipment Sales**
The engineering, manufacturing and sale of electrowinning equipment under the trade mark EMEW®.
- **DBOO Projects**
The planned development of DBOO (develop, build, own, operate) projects, where Electrometals will either outright or in partnership with others own plants which will produce metal for sale. These plants will have EMEW® as an integral part of the process, but are likely to have companion technology integrated into the process.
- **Process Development**
Process test and demonstration work using laboratory and pilot plant equipment, to establish “proof of concept” flow sheets for customers as well as determine vital engineering and operational parameters prior to the manufacture and installation of EMEW® plants. This work may include the testing of other companion technologies to be part of the process solution for the customer.
- **Engineering Improvements**
The design and testing of engineering improvements for the EMEW® plants.

These activities are managed from the company’s head office at the Gold Coast, Queensland, Australia with an office in Vancouver, Canada as well as staff based in the USA, India and Mexico. The company also has an agent in Chile, which has pilot plant and laboratory operational capabilities.

EMEW® Plants Delivered in 2010

- A 180 cell copper plating plant shipped in December 2009, delivered to a customer in Mexico early in 2010. This plant was added to an existing 90 cell plant for the recovery of copper cathode from complex industrial waste feedstock. In addition to the copper production, we have assisted this customer to complete test work for the recovery of cadmium (Cd) and cobalt (Co) from the feedstock. The customer is now studying the feasibility of integrating EMEW® Cd and Co metal production into their facility.
- Two EMEW® plants to recover tin cathode from a spent industrial solution for a customer in the USA. These plants were combined into one installation of 360 cells which are being commissioned late in the first quarter 2011. This is the first sale of a tin production plant, which required considerable laboratory and pilot scale test and demonstration work at our customer’s site. This work both demonstrated the concept and allowed the final engineering design of this plant, where it was necessary to adopt some new engineering improvements. It is clear that the electrowinning of tin metal in an EMEW® plant has special advantages which our company will now seek to capitalise on by building a presence in this market segment. Tin is a high priced metal (presently about US\$30,000 per tonne), adding to the value proposition for possible EMEW® installations.
- A 6 cell copper plating test plant for a customer in Turkey, to test copper production from oxide copper ore.
- A 20 cell silver powder production plant was substantially manufactured but remains to be delivered to a customer in India.

DBOO Projects

Following on the successful pilot test work conducted in 2009 in Ohio, USA, the company experienced some delays in the progress of this project due to the deliberations by the waste disposal companies with which Electrometals was working, with these potential partners finally choosing not to proceed late in 2010. Consequently, we have now selected a new site in St Louis, Missouri, USA, where the company is presently conducting a feasibility study for the production of metals, principally copper, nickel and tin.

Enough work has been completed on this project to allow the completion of a scoping study in January 2011, based upon which the go-ahead for a feasibility study was approved by the board.

Critical elements of the feasibility study include:

- Securing suitable leased premises
- Securing the appropriate business licence
- Securing commercial supply agreements for feedstock for the plant

As part of the scoping study referred to above, proof of concept laboratory test work was completed during 2010 to build upon the pilot plant demonstration work completed in 2009, using IX (ion exchange technology) and EMEW®.

The recent test work included innovative preconditioning and purification processes to prepare metal-rich solutions (electrolytes) for the recovery of the metal using our EMEW® process.

It is anticipated that this feasibility study will be completed during the first half of 2011. Subject to a satisfactory outcome for this study, the company expects to proceed with this project in the second half of 2011.

Process Development

The main process development work completed in 2010 was:

- The tin test work referred to above which led to the sale of our first tin recovery plant. Further successful laboratory-scale tin recovery test work was then conducted, to prove the concept of electrowinning tin using EMEW® in a different electrolyte chemistry. We now are more capable of recovering tin from a number of soluble tin electrolytes, a capability which we are proceeding to commercialise.
- The commercial recovery of copper and the possible commercial recovery of Cd and Co from a complex Cu-Cd-Co-Zn bearing industrial waste feed. The recovery of Cd and Co has been demonstrated at laboratory scale. Pilot plant recovery of Cd is now under test at a customer's site in Mexico.
- Successful testing of some enhancements of the EMEW® process to recover the precious metals gold and silver from cyanide solutions which are "contaminated" with base metals, particularly copper, lead and zinc. Further demonstration and test work are planned to be conducted in 2011, particularly in Mexico and Canada.

Engineering Improvements

During 2010, our product improvement programme successfully developed improvements to the EMEW® cell design, including anodes which, after site testing, are now being incorporated into our future plants. These improvements have simplified the manufacture of cells and so reduced the cost of manufacture.

DIRECTORS' REPORT

Your directors present their report on the group consisting of Electrometals Technologies Limited ("the company") and the entities it controlled at the end of, or during the year ended 31 December 2010.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows, including their qualifications, experience and special responsibilities, as well as details of other listed company directorships held in the last three years. Unless stated, directors were in office for this entire period.

R E Keevers *BSc FAusIMM(CP)* Chairman and CEO.

Appointed 13 June 2002.

Appointed Chairman 1 February 2004, acting CEO from 22 June 2004 and CEO from 3 August 2005. A qualified and experienced geologist, Mr Keevers is an independent company director and has been a consultant to public companies on technical and financial matters. He previously spent over 10 years as executive director of an Australian share brokerage firm and was for many years an exploration manager with Newmont in Australia.

Other directorships: Cerro Resources NL Appointed 13.12.2007

R G Melgaard *BSc BEc MBA* Deputy Chairman and non-executive director.

Appointed 20 December 2004.

Chairman of the remuneration and nominations committee and member of the audit committee.

Mr Melgaard was appointed Deputy Chairman on 23 April 2007. He is a non-executive director with additional responsibilities, assisting the CEO in specific areas of the company's initiatives. He has extensive business interests in London and is Managing Director of Palmaris Capital Plc and Chairman of Semper Holdings Limited, as well as holding positions in several other companies.

Other directorships: Palmaris Capital Plc Appointed 1.6.2000
Octopus Eclipse Venture Capital Trust 3 Plc Appointed 21.8.2005
Octopus Eclipse Venture Capital Trust 4 Plc Appointed 21.8.2005 Resigned 20.9.2010

R J H Mills *MSc(Business) MA(Economics)* Non-executive director

Appointed 2 September 2009

Member of the audit committee and remuneration and nominations committee.

Mr Mills joined the group in February 2008 as chairman of the company's then subsidiary, Kurion Technologies, and was subsequently appointed to the board of the parent company in 2009. He has over 35 years experience at chief executive and board level in several large consumer products companies, with operating experience both in domestic and export markets in Europe, USA and Asia.

Other directorships: Octopus Eclipse Venture Capital Trust 4 Plc Appointed 2.9.2010

M R Nugent *FCPA, FAICD* Non-executive director

Appointed 26 November 2010

Chairman of the audit committee, member of the remuneration and nominations committee.

Mr Nugent is the former CEO of a large ASX company, Goodman Fielder Limited, with wide experience in a variety of industries including food, agriculture, engineering and infrastructure. In addition to his industry, management and director experience, he brings a wide variety of skills to the company, including international business, marketing and finance that will complement the board's expertise.

Other directorships: Transgrid Appointed 26 August 2008

B L Kelly *BCom(Qld) CPA FAIM FAICD JP(Qual)* Non-executive director.

Appointed 6 January 2006. Resigned 28 June 2010

Formerly Chairman of the audit committee, member of the remuneration and nominations committee.

Mr. Kelly has over 35 years experience in the minerals and resources sector in Australia, Asia, the United Kingdom, Europe and South America. He has held senior executive roles with the Thiess group, MIM Holdings Limited and WMC Limited, with particular emphasis on commercial, marketing and business development functions. He has since consulted on strategy and governance to major corporations in the minerals, energy and technology sectors. Mr. Kelly has served on boards in Australia, Austria, Germany and Japan.

Other directorships: Planet Metals Limited Appointed 19.2.2008

DIRECTORS' REPORT – continued

Interests in the shares and options of the company

At the date of this report, interests of the directors in the shares and options of Electrometals Technologies Limited were:

	Ordinary shares	Preference shares	Listed options	Unlisted options
R E Keevers	2,781,597	-	463,600	1,400,000
R G Melgaard	38,286,819	-	3,321,005	-
R J H Mills	2,485,428	-	-	-
M R Nugent	-	-	-	-

Company secretary

Colin Barker BCom ACIS

Appointed 3 August 2005, Mr Barker is a Chartered Secretary and has a bachelor of commerce degree. He has 20 years experience in the role of company secretary with companies listed on the Australian Securities Exchange.

Dividends

No dividends were declared or paid since the end of the previous year. Directors do not recommend payment of a dividend.

Principal Activities

The principal activities of the group during the year comprised the design, manufacture and sale of the company's proprietary EMEW® electrowinning equipment. After the sale of the 51% shareholding in the UK company Kurion Technologies Limited in July 2010, the group discontinued the manufacture of water treatment equipment.

Operating and financial review

A review of the operations of the group is set out in the preceding section of this annual report. This review, together with the Chairman's Review and the sections "Significant changes in the state of affairs" and "Events subsequent to the end of the financial year", provide a review of activities. Summarised operating results are as follows:

	2010 \$	2009 \$	Change %
Sales	3,947,935	3,446,070	14.5
Less: Cost of sales and consumables	(2,498,255)	(3,026,134)	17.4
	1,449,679	439,936	229.5
Other income	78,076	88,660	(11.9)
	1,527,755	528,596	189.0
Less: Expenses	(3,509,756)	(2,408,328)	(45.7)
Loss from continuing operations before income tax	(1,982,001)	(1,879,732)	(5.5)
Income tax	-	-	-
Loss from continuing operations after income tax	(1,982,001)	(1,879,732)	(5.5)
Profit / loss from discontinued operations	(459,523)	296,739	(254.8)
Net loss for the year	(2,441,524)	(1,582,993)	(54.2)

Operating segments

During the year, the group's activities consisted solely of the design, manufacture and sale of electrowinning equipment for the metals processing industry. In July 2010, the group sold its 51% share in the water treatment company Kurion Technologies and this has been classified as a discontinued operation.

DIRECTORS' REPORT – continued

Shareholder returns

An improved performance of the company in 2006 and 2007, resulting in profits in both those years, was reversed in 2008 and 2009 due to the global financial downturn, to which the company was especially susceptible via the exposure of many of its customers to base metals prices. The company was able to break even for the second half of 2009, but 2010 proved more difficult than expected and, although sales revenue increased slightly and the gross margin was much improved, other expenses contributed to a greater loss.

	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Share price	3.0c	2.0c	1.9c	8.8c	7.8c
Shares on issue	204,357,579	204,357,579	204,357,579	204,357,579	133,022,809
Capitalisation \$m	6.13	4.09	3.88	17.98	10.38
Earnings per share	(1.21)c	(0.79)	(1.13)c	0.33c	0.59c

Review of financial condition

Liquidity and capital resources

The consolidated cash flow statement illustrates that there has been a decrease in cash and cash equivalents in the year ended 31 December 2010 of \$1,472,209 (2009: \$635,282). The main component of this was operations disbursements of \$1,867,403, offset by loan repayments of \$390,551 from Kurion Technologies Limited at the time of its disposal.

Assets and capital structure

	2010 \$	2009 \$
<i>Debts:</i>		
Trade and other payables	548,822	1,351,451
Loans	-	23,549
Redeemable preference shares	133,333	133,333
Cash and short-term deposits	(890,511)	(2,362,720)
Net debt	(208,356)	(854,387)
Total equity	2,447,212	4,635,850
Total capital employed	2,238,856	3,781,463

The group has cash on hand and no debt. The board has no plans at present to gear the group through accessing loan funds.

Share issues

There were no issues of shares during the year.

Profile of debts

	2010 \$	2009 \$
Current - Loans	-	23,549
Non-current - Loans	-	-
Cumulative convertible redeemable preference shares	133,333	133,333
	133,333	156,882

The loans outstanding in 2009 represent ongoing reducing loans in Kurion Technologies, which were in existence when Electrometals purchased a 51% shareholding in that company in February 2008.

Capital expenditure

There has been a decrease in capital expenditure in 2010 compared to 2009 (\$59,716 in 2010 versus \$234,011 in 2009). In 2009, the majority of the expenditure was reflected in the construction of pilot plants and testing equipment, by which the company's EMEW® electrowinning technology is demonstrated on site to potential customers.

Treasury policy

The group's treasury function is managed primarily by the Financial Controller in conjunction with the Chief Executive Officer. The treasury function operates within the overall supervision of the board of directors, who review current cash flow forecasts at each board meeting. Forward currency hedging is undertaken wherever considered advantageous on certain large-scale imports of components.

DIRECTORS' REPORT – continued

Risk management

The group takes a proactive approach to risk management. The board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the board. The group believes that it is crucial for all board members to be part of this process and, as such, the board has not established a separate risk management committee. The board as a whole examines issues and risks identified.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include:

- Drawing up of a risk register, to define and evaluate the risks associated with the company's operations
- Strategy meetings involving board members and executives, designed to evaluate alternatives and formulate the overall company strategy.
- Implementation of operating plans, budgets and cash flow forecasts approved by the board and the monitoring of progress against budget.
- The review at each board meeting of specific business risks, including for example overall insurance matters and occupational health and safety.

Statement of compliance

This operating and financial review is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

Significant changes in the state of affairs

Significant changes in the affairs of the group during the financial year under review have been as follows:

1. Group sales revenue of \$3.947 million for 2010 was a 14% increase compared to the 2009 figure of \$3.446 million, both figures excluding the contribution by Kurion Technologies, which has been classified as a discontinued operation in the statement of comprehensive income for both years. The gross margin increased substantially, from \$440,000 to \$1.45 million. However, this increase was offset by an increase in administrative expenses of \$544,000 and write-offs of \$646,000 relating to R&D/product development, non-revenue test programs, expenses to finalise the long-running Molymet legal case and activities preliminary to establishing our own processing operations, together with a severe deterioration of \$756,000 in the performance of Kurion Technologies Limited. As a result, the loss increased from \$1.582 million to \$2.441 million, but contained a number of large one-off items which will not reoccur in ensuing years.

In the opinion of the directors, all other significant changes in the state of affairs of the group that occurred during the financial year under review have been disclosed elsewhere in this report.

Significant events after the balance date

On 28 February 2011, the company announced a pro-rata 1 for 1 share issue to eligible holders of shares and listed options, to raise nearly \$4 million, net of issue costs. The pro-rata offer is underwritten by the company's largest shareholder.

Likely developments and expected results

The Electrometals group continues to actively market its products both directly and through agents and partners, as referred to in the review of operations. It is, however, seeking to diversify, hence the importance of the share issue mentioned in the previous paragraph. The majority of the funds from this issue will be directed to progressing the company's investment in DBOO (develop, build, own, operate) activities, whereby the company will initiate metals processing and production activities on its own account, incorporating its EMEW® technology. A substantial amount of market research and analysis of set-up costs has already taken place during 2010, and preliminary discussions with potential customers are ongoing. The company will release reports of further developments related to this business as they occur.

DIRECTORS' REPORT – continued

Environmental regulation and performance

There have been no known environmental breaches by the group. The group is not subject to any specific environmental licensing requirements in relation to its operations, however our laboratories at the Gold Coast, Queensland and at Sauget, Illinois USA are controlled by state government regulations for the use and storage of certain chemicals. In the event that we establish metal production from our planned DBOO operations, then these activities will come under environmental regulations, initially in the USA, where our management is in discussion with the regulatory authorities in preparation for an application for an appropriate licence, expected to be lodged in the first half of 2011.

Share options

At the date of this report, there are 33,255,577 listed options and 3,270,000 unlisted options on issue, with 620,000 of the unlisted options having been forfeited since the end of 2010. Holders of the listed options have a right to participate in any share issue of the company, but holders of the unlisted options do not.

Exercise of options

No options were exercised during the year.

Indemnification and insurance of key management personnel

During or since the financial year, the company has paid premiums amounting to \$18,525 in respect of a contract insuring key management personnel of the company, including all directors, the company secretaries and senior managers, against costs incurred in defending civil or criminal proceedings that may be brought against them in their capacity as key management personnel of the company. The liability cover is \$10,000,000.

Meetings of directors

The number of meetings of the directors (including meetings of board committees) held during the year ended 31 December 2010, and the number of meetings attended by each director, are as follows:

	Board meetings		Audit committee		Remuneration committee	
	<i>Eligible</i>	<i>Attended</i>	<i>Eligible</i>	<i>Attended</i>	<i>Eligible</i>	<i>Attended</i>
<i>Attendance:</i>						
R E Keevers	9	9	*	*	*	*
R G Melgaard	9	9	2	2	2	2
R J H Mills	9	9	2	2	2	2
M R Nugent**	1	1	-	-	-	-
B L Kelly***	5	5	1	1	1	1

* Not a member of the relevant committee during the year

** Appointed 26 November 2010

*** Resigned 28 June 2010.

Committee membership

At the date of this report, the company has two board committees, an audit committee and a remuneration and nominations committee. Members acting on the committees of the board during the year were:

Audit	Remuneration and nominations
M R Nugent (Chairman) – <i>appointed 26 November 2010</i>	R G Melgaard (Chairman)
R G Melgaard	R J H Mills
R J H Mills	M R Nugent – <i>appointed 26 November 2010</i>
B L Kelly (Chairman) – <i>resigned 28 June 2010</i>	B L Kelly – <i>resigned 28 June 2010</i>

Retirement, election and continuation in office of directors

Mr Keevers, as CEO, is not subject to retirement by rotation.

Mr Melgaard retires by rotation and, being eligible, offers himself for re-election at the next annual general meeting.

Mr Mills continues in office.

Mr Nugent, having been appointed during the year, will offer himself for re-election at the next annual general meeting.

Auditor

Ernst and Young continue in office in accordance with section 327 of the Corporations Act. No non-audit services were provided by Ernst & Young during the financial year. We have obtained the following independence declaration from our auditors:

DIRECTORS' REPORT – continued



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Auditor's Independence Declaration to the Directors of Electrometals Technologies Limited

In relation to our audit of the financial report of Electrometals Technologies Limited for the financial year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of Mike Reid.

Mike Reid
Partner
Brisbane
31 March 2011

Liability limited by a scheme
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Standards Legislation

DIRECTORS' REPORT – continued

Remuneration report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the company and the group in accordance with the requirements of the Corporations Act 2001 and its Regulations. Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the group, directly and indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and group receiving the highest annual remuneration.

1. Key management personnel

Directors	R E Keevers	Chairman and CEO	
	R G Melgaard	Deputy Chairman and non-executive director	
	R J H Mills	Non-executive director	
	M R Nugent	Non-executive director	<i>Appointed 26 November 2010</i>
	B L Kelly	Non-executive director	<i>Resigned 28 June 2010</i>
Executives	I D Ewart	Senior Process Engineer & President, Electrometals Canada	
	I A S Burke	Managing Director, Kurion Technologies	<i>Kurion sold 28 July 2010</i>
	K G Powell	General Manager, Sales and Marketing	
	R J Neve	Engineering Manager	
	R A Palmer	Senior Process Chemist	<i>Resigned 31 December 2010</i>
	C C Barker	Company Secretary and Financial Controller	

There were no changes to key management personnel after reporting date and before the date the financial report was authorised for issue. Mr Neve has been added to the list of key management personnel in 2010, after continuing on from an initial 6-month contract starting in November 2009. Mr Loo is no longer included, having left the group during the year.

2. Remuneration philosophy

The key principle of Electrometals' remuneration policy is to ensure that remuneration is set at levels that will attract, motivate, reward and retain personnel to improve business results, having regard to the company's financial performance and financial position. Remuneration is reviewed annually to ensure executive pay is competitive with the market.

3. Remuneration and nominations committee

The company has a remuneration and nominations committee which undertakes the role of reviewing and determining the remuneration of executives and executive directors. Remuneration of non-executive directors is also determined by the committee, within the maximum amount approved by the shareholders from time to time. The remuneration and nominations committee assesses the appropriateness of the nature and amount of executive remuneration on a periodic basis, by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit by the retention of a high-quality, high-performing director and executive team.

4. Non-executive director remuneration

Objective

The board seeks to aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, while incurring a cost that is acceptable to shareholders.

Structure

The constitution of Electrometals and the ASX listing rules specify that the aggregate fees payable to non-executive directors for their service as board members are determined from time to time by a general meeting of shareholders, the last determination being at the annual general meeting on 30 May 2006, when shareholders approved fees of \$120,000. The amount of aggregate fees payable to non-executive directors is reviewed annually, to determine their apportionment between directors and whether shareholder approval should be sought for the level to be increased, and the board of directors is guided by the level of fees paid to non-executive directors of comparable companies. Each non-executive director received an annualised fee of \$32,700 during 2010 (2009: \$26,160), and there are no additional fees for serving on board committees. Under clause 13.16 of the company's constitution, non-executive directors may also be paid for any extra services performed, separate from their duties as a board member, and Mr Melgaard received additional fees in both 2010 and 2009. Mr Mills also received a director's fee of \$35,969 in 2009 (2010: Nil) from the subsidiary Kurion Technologies Limited. There are no arrangements put in place by the company to facilitate non-executive directors acquiring shares in the company and they do not receive retirement benefits or participate in any incentive programs. The remuneration of non-executive directors for the 2010 and 2009 years is detailed in tables 1 and 2 of this report.

DIRECTORS' REPORT – Remuneration report - continued

5. Executive remuneration

Remuneration levels and mix

The group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the group, so as to:

- Reward executives for group and individual performance
- Align the interests of executives with those of shareholders
- Ensure total remuneration in competitive by market standards

In determining the level and make-up of executive remuneration, the remuneration committee reviews market conditions and remuneration levels at comparable companies. The company has entered into a detailed contract of employment with the Chief Executive Officer. Due to the uncertainty of the group's growth, the majority of executive remuneration in recent years has been fixed, with any bonuses being paid at year-end, based on an assessment by the CEO and remuneration committee of the individual's contribution during the year and a general consideration of the group's sales, results and orders. During 2010, the group began to implement a more formal structure, with agreement being reached with the five executive members of the executive committee on a bonus scheme consisting of (a) a quantitative element based on the group's annual results and (b) a qualitative element based on an assessment of individual performance and contribution during the year.

Structure

Remuneration consists of the following key elements:

- Fixed remuneration - Base salary, superannuation and non-monetary benefits;
- Variable remuneration - short-term incentive (STI)
- long-term incentive (LTI)

The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) for each executive is set out in tables 1 and 2.

Fixed remuneration

Currently, all executive fixed remuneration is by salary package only, with an election to apportion this between salary and superannuation in the form of salary sacrifice. It is intended that the structure should be optimal for the recipient without creating undue cost for the group. There are no guaranteed base salary increases fixed in the contract of any executive. The fixed remuneration component of executives is detailed in tables 1 and 2.

Variable remuneration – short-term incentive (STI).

The group operates an annual STI program that is available to executives and awards a cash bonus subject to (a) clearly defined group measures and (b) a qualitative individual measure. The total potential STI available is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to the group is reasonable in the circumstances.

STI awards for 2010 and 2009 financial years

No bonuses were paid during 2010 or 2009.

Variable remuneration – long-term incentive (LTI)

The objectives of the LTI plan are to (a) reward executives and other staff in a manner that aligns remuneration with the creation of shareholder wealth and (b) reward staff for their continued loyalty. As such, LTI grants delivered in the form of share options issued under the company's employee share option plan are made to (a) executives who are able to influence the generation of shareholder wealth and thus have an impact on the group's performance in the long-term and (b) staff who remain with the company for an extended period of time.

LTI – share options

LTI grants to staff in the form of share options are decided by the remuneration and nominations committee. There is no qualifying period, no performance hurdle and there are no specific conditions as to length of option or vesting period laid down in the rules of the employee share option plan. Options are typically granted for five years at a specific exercise price, vesting in four annual equal tranches, with the first tranche vesting up to 12 months after the date of grant. If an option holder ceases employment prior to the options vesting, the options are forfeited. If the options are vested at the time of cessation of employment, the option holder has 30 days after the last day of employment to exercise the options, unless the cessation of employment is due to death or disability.

LTI awards for the 2010 financial year

No share options were issued in the 2010 or 2009 years.

Hedging of equity awards

The conditions of the company's employee share option plan and the company's trading policy provide that an employee receiving options may not transfer them, encumber them or otherwise deal with them.

DIRECTORS' REPORT – Remuneration report - continued

6. Company performance and its link to remuneration

The following table sets out company performance figures for the years 2006-2010.

	2010	2009	2008	2007	2006
Revenue	3,947,935	3,446,070	6,721,817	9,874,038	6,649,344
Net profit / (loss)	(2,441,524)	(1,582,993)	(2,296,452)	633,850	812,430
Share price	3.0c	2.0c	1.9c	8.8c	7.8c
Earnings per share	(1.21)c	(0.79)	(1.13)c	0.33c	0.59c

Company performance and its link to short-term incentives

The financial performance measures driving STI payment outcomes are revenue and net profit. Due to the losses in the last three years, short-term incentive rewards were last paid in 2008 in relation to the 2007 year.

Company performance and its link to long-term incentives

The performance measure driving LTI vesting is the company's profitability and its resultant share price. Due to losses in the last three years, the share price has mainly been below exercise price and vested options have not been exercised.

7. Employment contracts

Chief Executive Officer

The CEO, Mr Keevers, is employed under a contract which covered an initial two-year period from 1 July 2005 and has been extended indefinitely. Under the terms of the contract:

- Fixed remuneration is \$250,000, with variable remuneration being up to an additional 50%, or \$125,000. Mr Keevers volunteered to take a cut in his salary and fees for the 2009 year.
- Notice of termination is six months by either the company or Mr Keevers, with the company to give pay in lieu, unless the termination is due to serious misconduct.
- In 2005, Mr Keevers received 1,200,000 options exercisable at 5c, with 25% vesting immediately and the remaining 75% vesting in three equal annual tranches. In 2008, he received 800,000 options exercisable at 12c, with 25% vesting almost immediately and the remaining 75% vesting in three equal annual tranches

Details of remuneration

Details of the aggregate remuneration of key management personnel of the group are set out in the following table. Except for the CEO, Mr Keevers, none of the key management personnel has a formal contract with the group, notice of termination is one month's notice by either party and there are no termination payments beyond those specified by law.

Table 1: Remuneration for the year ended 31 December 2010

Name	Short-term			Post employment		Long-term	Share-based	Total	Percentage performance related
	Salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Retirement benefits	Long service leave	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-executive directors</i>									
R G Melgaard*	81,750	-	-	-	-	-	-	81,750	-
R J H Mills	32,992	-	-	-	-	-	-	32,992	-
M R Nugent	-	-	-	-	-	-	-	-	-
B L Kelly**	-	-	-	15,000	-	-	-	15,000	-
Sub-total	114,742	-	-	15,000	-	-	-	129,742	
<i>Executive directors</i>									
R E Keevers	204,679	-	-	45,321	-	-	5,471	255,471	2.14
<i>Other key management personnel</i>									
I D Ewart	156,436	-	-	-	-	-	1,849	158,285	1.17
I A S Burke***	102,325	-	-	-	-	-	-	102,325	-
K G Powell	122,936	-	-	11,064	-	-	370	134,370	0.28
R Neve	127,679	-	-	-	-	-	-	127,679	-
R A Palmer	107,339	-	-	9,661	-	-	1,110	118,110	0.94
C C Barker	98,165	-	-	8,835	-	-	296	107,296	0.28
Sub-total	919,559	-	-	74,881	-	-	9,096	1,003,536	
Total	1,034,301	-	-	89,881	-	-	9,096	1,133,278	

* Mr R G Melgaard received additional fees of \$49,050 for executive work undertaken.

** Mr B L Kelly resigned as a director on 28 June 2010.

*** Mr I A S Burke left the group following the sale of Kurion Technologies in July 2010.

DIRECTORS' REPORT – Remuneration report - continued

Table 2: Remuneration for the year ended 31 December 2009

Name	Short-term			Post employment		Long-term	Share-based	Total	Percentage performance related %
	Salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Retirement benefits	Long service leave	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	
Non-executive directors									
R G Melgaard *	65,331	-	-	-	-	-	-	65,331	
B L Kelly	-	-	-	26,160	-	-	-	26,160	
R J H Mills *	49,986	-	-	-	-	-	-	49,986	
J Bastoni *	14,000	-	-	1,260	-	-	-	15,260	
Sub-total	129,317	-	-	27,420	-	-	-	156,737	
Executive directors									
R E Keevers	134,128	-	-	65,872	-	-	12,509	212,509	5.89
Other key management personnel									
I D Ewart	151,272	-	-	-	-	-	3,797	155,069	2.45
I A S Burke	185,293	-	4,332	-	-	-	-	189,625	-
K G Powell	110,642	-	-	9,958	-	-	759	121,359	0.63
C Loo	84,040	-	-	-	-	-	-	84,040	-
R A Palmer	96,605	-	-	8,694	-	-	2,278	107,577	2.12
T Stapurewicz *	65,466	-	-	-	-	-	(1,713)	63,753	-
C C Barker	88,349	-	-	7,951	-	-	608	96,908	0.63
Sub-total	915,795	-	4,332	92,475	-	-	18,238	1,030,840	
Total	1,045,112	-	4,332	119,895	-	-	18,238	1,187,577	

* Mr R G Melgaard received additional fees of \$39,171 for executive work undertaken.
Mr R J H Mills became a director on 2 September 2009 – his fees included \$35,969 from Kurion Technologies.
Mr J Bastoni resigned as a director on 3 August 2009
Mr T Stapurewicz resigned on 22 July 2009

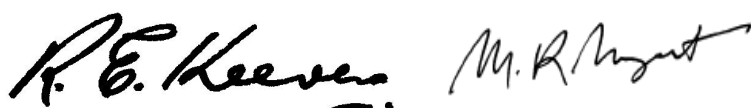
Equity instruments

Table 3: Options awarded and vested during the year

No compensation options were granted during the 2010 or 2009 years. Options vested during the year as follows:

Name	Vested	%
Executive directors		
R E Keevers	200,000	100
Other key management personnel		
I D Ewart	125,000	100
K G Powell	25,000	100
R A Palmer	75,000	100
C C Barker	20,000	100
Total	445,000	

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



R E Keevers
Chairman

M R Nugent
Director

CORPORATE GOVERNANCE STATEMENT

The board of directors of Electrometals Technologies Limited is responsible for establishing the corporate governance framework of the group, having regard to the ASX Corporate Governance Council (CGC) published guidelines, as well as its corporate governance principles and recommendations. A formal board charter and code of conduct is in place. The board guides and monitors the business and affairs of Electrometals Technologies Limited on behalf of the shareholders, by whom they are elected and to whom they are accountable. The table below summarises the company's compliance with the recommendations of the Corporate Governance Council.

Recommendation		Comply Yes / No	
Principle 1 – Lay solid foundations for management and oversight			
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	Page 17
1.2	Disclose the process for evaluating the performance of senior executives	Yes	Page 12
1.3	Provide the information indicated in the guide to reporting on Principle 1	Yes	
Principle 2 – Structure the board to add value			
2.1	A majority of the board should be independent directors.	No	Page 16
2.2	The chairperson should be an independent director.	No	Note 1
2.3	The roles of chairperson and CEO should not be exercised by the same individual.	No	Note 2
2.4	The board should establish a nomination committee	Yes	Page 18
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	Yes	Page 18
2.6	Provide the information indicated in the guide to reporting on Principle 2	Yes	
Principle 3 – Promote ethical and responsible decision-making			
3.1	Establish a code of conduct to guide directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Page 15
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Yes	Page 18
3.3	Provide the information indicated in the guide to reporting on Principle 3	Yes	
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	Yes	Page 17
4.2	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the board; • at least three members. 	Yes	Page 17
4.3	The audit committee should have a formal charter.	Yes	Website
4.4	Provide the information indicated in the guide to reporting on Principle 4	Yes	
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance, and disclose those policies or a summary of those policies.	Yes	Website
5.2	Provide the information indicated in the guide to reporting on Principle 5	Yes	
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings, and disclose that policy or a summary of that policy.	Yes	Website
6.2	Provide the information indicated in the guide to reporting on Principle 6	Yes	

CORPORATE GOVERNANCE STATEMENT - continued

Recommendation	Comply Yes / No
Principle 7 – Recognise and manage risk	
7.1 Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes Page 18
7.2 Management is required to design and implement and manage the risk management and internal control system to manage the company’s material business risks and report on whether those risks are being managed effectively. The board should disclose that management has reported as to the effectiveness of the management of those risks.	Yes Page 18
7.3 Disclose whether the board has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks	Yes Page 18
7.4 Provide the information indicated in the guide to reporting on Principle 7	Yes
Principle 8 – Remunerate fairly and responsibly	
8.1 The board should establish a remuneration committee.	Yes Page 18
8.2 Clearly distinguish the structure of non-executive directors’ remuneration from that of executives.	Yes Page 12
8.3 Provide the information indicated in the guide to reporting on Principle 8	No Page 18
Note 1 Refer to the section headed “Chairman” below	
Note 2 Refer to the section headed “Chairman” below	

Electrometals Technologies’ corporate governance practices were in place throughout the year ended 31 December 2010.

Chairman

The Electrometals constitution states that “the directors must elect one of their number as chairman of their meetings and determine the period of office of the chairman”. Our Chairman, Richard Keevers, cannot be construed as an independent director at the date of this report. Mr Keevers took on the role of Acting Chief Executive Officer in 2004 and, in August 2005, took on the role of CEO full-time. It has not been considered necessary to consider the appointment of a lead independent director, but the board has appointed a Deputy Chairman, Mr Greg Melgaard, to assist the Chairman and undertake specific tasks as designated from time to time. The board has agreed on the responsibilities and division between Chairman, Deputy Chairman and CEO.

Structure of the board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of this annual report are set out in the Directors’ Report. Directors of Electrometals are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of their unfettered and independent judgement. In the context of director independence, “materiality” is considered from both the group and individual director perspective, and involves a determination of both quantitative and qualitative measurements. In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Electrometals are considered to be independent:

Name	Position
R J H Mills	Non-executive director
M R Nugent	Non-executive director

There are procedures in place, agreed by the board, to enable directors in furtherance of their duties to seek independent professional advice at the company’s expense.

The term in office held by each director at the date of this report is as follows:

Name	Term in office
R E Keevers	9 years
R G Melgaard	7 years
R J H Mills	2 years
M R Nugent	4 months

CORPORATE GOVERNANCE STATEMENT - continued

Board functions and committees

The board seeks to identify the shareholder expectations, as well as regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. To ensure the board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the board.

The responsibility for the operation and administration of the company is delegated by the board to the CEO and the executive management team. The board ensures that these personnel are appropriately qualified and experienced to discharge their responsibilities and that there are procedures in place to assess their performance. Whilst the board retains full responsibility for guiding and monitoring the company, in discharging its stewardship it makes use of two committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board.

To this end, the board has established the following committees:

- Audit
- Remuneration and nominations

The roles and responsibilities of these committees are discussed in this corporate governance statement.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved, including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the group
- Implementation of budgets by management and monitoring progress against budget via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the board include:

- Approval of the annual and half-yearly financial reports
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions.
- Ensuring that any significant business risks that arise are identified, assessed, appropriately managed and monitored
- Reporting to shareholders

Audit committee

The board has established an audit committee, which operates under a charter approved by the board. It is the responsibility of the board to ensure that an effective internal control framework exists within the group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information, as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated to the audit committee the responsibility for establishing and maintaining a framework of internal control and ethical standards. The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion on the financial reports. All members of the audit committee are non-executive directors.

The members of the audit committee during the year were:

- M R Nugent (Chairman) *Appointed 26 November 2010*
- R G Melgaard
- R J H Mills
- B L Kelly *Resigned 28 June 2010*

Qualifications of the audit committee members

Messrs Melgaard, Mills and Nugent all have extensive experience at board level, as chairman, managing director and non-executive director.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to the Directors' Report.

CORPORATE GOVERNANCE STATEMENT - continued

Risk

The board has primary responsibility for determining the company's risk profile and for overseeing and approving risk management strategy and policies, internal compliance and internal control. The company's process of risk management and internal compliance and control includes:

- Establishing the company's goals and objectives, then implementing and monitoring strategies and policies to achieve them
- Continuously identifying and measuring risks that might impact upon the achievement of the company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks, by specifically addressing risk areas at each board meeting
- Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls
- Monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

Management has reported to the directors on the effectiveness of the company's management of its material business risks.

CEO and CFO certification

The Chief Executive Officer and the Chief Financial Officer have provided a written statement to the board that:

- Their view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control, which implements the financial policies adopted by the board, and
- The company's risk management and internal compliance and control system is operating effectively in all material respects.

Remuneration and nominations committee

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the CEO and the executive team. It is the company's objective to provide maximum stakeholder benefit from the retention of a high-quality board and executive team, by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration and nominations committee links the nature and amount of executive directors' and officers' remuneration to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of high-quality management to the company, and
- Performance incentives that allow executives to share in the company's success.

For a full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current year, refer to the Remuneration Report, contained within the Directors' Report.

There is no scheme to provide retirement benefits to non-executive directors.

At the date of this statement, the remuneration and nominations committee comprises the three non-executive directors:

- R G Melgaard (Chairman)
- R J H Mills
- M R Nugent

Securities trading policy

Under the company's securities trading policy, a director or staff member must not trade in any securities of the company at any time when they are in possession of unpublished, price-sensitive information. Before any trading, the Chairman must be consulted. As required by the ASX listing rules, the company notifies the ASX of any transaction in the company's securities conducted by directors.

Employee share options

The conditions of the company's employee share option plan dated 1 June 2009 provide that an employee receiving options may not transfer them, encumber them or otherwise deal with them. The share registry has been instructed to refer any potential transfer of these holdings to the company.

Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the remuneration and nominations committee conducted performance evaluations that involved an assessment of each key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which executives are assessed are aligned with the financial and non-financial objectives of Electrometals.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Notes	2010 \$	2009 \$
Plant sales		3,476,471	2,592,830
Spare parts sales		289,490	312,853
Laboratory and engineering fees		166,599	450,390
Royalties		4,814	105,162
Other sales income		10,561	17,206
Less: discounts		-	(12,371)
Total sales		<u>3,947,935</u>	<u>3,446,070</u>
Cost of sales		<u>(2,498,256)</u>	<u>(3,026,134)</u>
Gross profit		1,449,679	439,936
Other income			
Interest		74,740	88,660
Foreign exchange gain		3,336	-
		<u>78,076</u>	<u>88,660</u>
Expenses			
Marketing expenses		(97,913)	(58,804)
Occupancy expenses		(249,701)	(286,491)
Administrative expenses		(2,095,435)	(1,551,830)
Other expenses	6	(1,066,707)	(511,203)
Loss from continuing operations before income tax		<u>(1,982,001)</u>	<u>(1,879,732)</u>
Income tax benefit		-	-
Loss from continuing operations after income tax		<u>(1,982,001)</u>	<u>(1,879,732)</u>
Discontinued operations			
Profit / (loss) from discontinued operations after income tax		(459,523)	296,739
Net loss for the year		<u>(2,441,524)</u>	<u>(1,582,993)</u>
Other comprehensive income			
Foreign currency translation		(127,654)	1,714
Other comprehensive income and outlays for the period, net of income tax		<u>(127,654)</u>	<u>1,714</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(2,569,178)</u>	<u>(1,581,279)</u>
Loss for the period is attributable to:			
Owners of the parent		(2,216,358)	(1,728,395)
Non-controlling interest		(225,166)	145,402
		<u>(2,441,524)</u>	<u>(1,582,993)</u>
Total comprehensive income for the period is attributable to:			
Owners of the parent		(2,344,012)	(1,726,681)
Non-controlling interest		(225,166)	145,402
		<u>(2,569,178)</u>	<u>(1,581,279)</u>
Earnings per share			
<i>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the parent</i>			
Basic and diluted earnings per share		(0.98)c	(0.93)c
<i>Earnings per share for loss attributable to the ordinary equity holders of the parent</i>			
Basic and diluted earnings per share		(1.21)c	(0.79)c

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 \$	2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	890,511	2,362,720
Trade and other receivables	11	725,010	1,525,179
Inventories	12	482,708	487,044
Prepayments		125,137	411,620
TOTAL CURRENT ASSETS		<u>2,223,366</u>	<u>4,786,563</u>
NON-CURRENT ASSETS			
Receivables	13	114,200	26,909
Investments		-	90
Plant & equipment	15	912,436	1,091,438
Goodwill and other intangible assets	16	20,456	1,615,721
TOTAL NON-CURRENT ASSETS		<u>1,047,092</u>	<u>2,734,158</u>
TOTAL ASSETS		<u>3,270,458</u>	<u>7,520,721</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	548,822	1,351,451
Interest-bearing liabilities		-	23,549
Deferred income	18	57,945	357,641
Provisions	19	168,057	145,016
TOTAL CURRENT LIABILITIES		<u>774,824</u>	<u>1,877,657</u>
NON-CURRENT LIABILITIES			
Accrual for future buy-out of non-controlling interest		-	960,000
Provisions	20	48,422	47,214
TOTAL NON-CURRENT LIABILITIES		<u>48,422</u>	<u>1,007,214</u>
TOTAL LIABILITIES		<u>823,246</u>	<u>2,884,871</u>
NET ASSETS		<u>2,447,212</u>	<u>4,635,850</u>
EQUITY			
Issued capital		33,320,788	33,320,788
Reserves		58,363	176,473
Accumulated losses		(30,931,939)	(28,715,581)
PARENT INTERESTS		<u>2,447,212</u>	<u>4,781,680</u>
Non-controlling interests		-	(145,830)
TOTAL EQUITY		<u>2,447,212</u>	<u>4,635,850</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	<u>Ordinary shares</u>	<u>Preference shares</u>	<u>Foreign currency reserve</u>	<u>Equity benefits reserve</u>	<u>Accumulated losses</u>	<u>Owners of the parent</u>	<u>Non- controlling interests</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2010	33,187,455	133,333	17,140	159,333	(28,715,581)	4,781,680	(145,830)	4,635,850
Profit / (loss) for the period	-	-	-	-	(2,216,358)	(2,216,358)	(225,166)	(2,441,524)
Other comprehensive income	-	-	(127,654)	-	-	(127,654)	-	(127,654)
Total comprehensive income for the period	-	-	(127,654)	-	(2,216,358)	(2,344,012)	(225,166)	(2,569,178)
Transactions with owners in their capacity as owners								
Non-controlling interest de- recognised	-	-	-	-	-	-	370,996	370,996
Share-based payments	-	-	-	9,544	-	9,544	-	9,544
At 31 December 2010	33,187,455	133,333	(110,514)	168,877	(30,931,939)	2,447,212	-	2,447,212

For the year ended 31 December 2009

	<u>Ordinary shares</u>	<u>Preference shares</u>	<u>Foreign currency reserve</u>	<u>Equity benefits reserve</u>	<u>Accumulated losses</u>	<u>Owners of the parent</u>	<u>Non- controlling interests</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2009	33,187,455	133,333	15,426	164,497	(27,124,039)	6,376,672	(154,379)	6,222,293
Loss related to minority reserve included in opening accumulated losses	-	-	-	-	136,853	136,853	(136,853)	-
Profit / (loss) for the period	-	-	-	-	(1,728,395)	(1,728,395)	145,402	(1,582,993)
Other comprehensive income	-	-	1,714	-	-	1,714	-	1,714
Total comprehensive income for the period	-	-	1,714	-	(1,591,542)	(1,589,828)	8,549	(1,581,279)
Transactions with owners in their capacity as owners								
Share-based payments	-	-	-	(5,164)	-	(5,164)	-	(5,164)
At 31 December 2009	33,187,455	133,333	17,140	159,333	(28,715,581)	4,781,680	(145,830)	4,635,850

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010	2009
	\$	\$
Cash flows from operating activities		
Receipts from customers (including GST)	5,429,967	8,448,020
Payments to suppliers and employees (including GST)	(7,297,370)	(8,941,506)
Net operating cash outflow	<u>(1,867,403)</u>	<u>(493,486)</u>
Cash flows from investing activities		
Interest received	69,672	63,877
Loans made	(18,778)	-
Loan to discontinued operation repaid	390,551	-
Cash held by discontinued operation	(40,236)	-
Payment for plant and equipment	(20,976)	(218,106)
Payment for patents	(11,315)	-
Net investing cash outflow	<u>368,918</u>	<u>(154,229)</u>
Cash flows from financing activities		
Loan repayments received	43,693	(47,939)
Loan repayments paid out	(20,392)	-
Interest paid	(2,269)	(2,609)
Net financing cash outflow	<u>21,032</u>	<u>(50,548)</u>
Net decrease in cash held	(1,477,453)	(698,263)
Net foreign exchange differences	5,244	62,981
Cash at the beginning of the financial year	<u>2,362,720</u>	<u>2,998,002</u>
Cash at the end of the financial year	<u><u>890,511</u></u>	<u><u>2,362,720</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial report of Electrometals Technologies Limited (the company) for the year ended 31 December 2010 was authorised for issue in accordance with a resolution of directors on 30 March 2011.

Electrometals Technologies is a company limited by shares incorporated and domiciled in Australia, having its registered office and principal office at 28 Commercial Drive, Ashmore 4214, Queensland.

The company's ordinary shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the group are described in note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

- (a) **Compliance with IFRS**
- (b) **New accounting standards and interpretations**
- (c) **Basis of consolidation**
- (d) **Business combinations**
- (e) **Operating segments**
- (f) **Foreign currency translation**
- (g) **Cash and cash equivalents**
- (h) **Trade and other receivables**
- (i) **Inventories**
- (j) **Derivative financial instruments and hedging**
- (k) **Non-current assets and disposal groups held for sale and discontinued operations**
- (l) **Property, plant and equipment**
- (m) **Leases**
- (n) **Impairment of non-financial assets other than goodwill**
- (o) **Goodwill and intangibles**
- (p) **Pensions and other post-employment benefits**
- (q) **Trade and other payables**
- (r) **Interest-bearing loans and borrowings**
- (s) **Provisions and employee benefits**
- (t) **Share based payment transactions**
- (u) **Contributed equity and preference shares**
- (v) **Revenue recognition**
- (w) **Income tax and other taxes**
- (x) **Earnings per share**
- (y) **Put and call options liability**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for any derivatives. The financial report is presented in Australian dollars.

The consolidated entity has a net loss for the year of \$2,569,178 (year ended 31 December 2009 - \$1,582,993) and cash outflows from operating activities of \$1,867,403 (year ended 31 December 2009 - \$493,486). Accordingly, without support from financiers or shareholders, there is uncertainty as to whether the consolidated entity will be able to continue as going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Subsequent to year-end, the company has lodged a prospectus for two separate non-renounceable pro rata offers to raise approximately \$4.3 million (before costs) through the issue of company's shares. Both pro-rata offers are fully underwritten by the company's largest shareholder, Waverton Holdings Limited.

Directors of the company believe that they will be able to raise funds through the issue of shares and therefore will have sufficient funds to meet operating cash flow requirements and continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded assets amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(a) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2010:

- ▶ AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]*, effective 1 January 2010
- ▶ AASB 127 *Consolidated and Separate Financial Statements (revised 2008)*, effective 1 July 2009
- ▶ AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, effective 1 July 2009
- ▶ AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]*, effective 1 July 2009
- ▶ AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*, effective 1 July 2009
- ▶ AASB 3 *Business Combinations (revised)*, effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the group, its impact is described below:

Annual Improvements Project

In May 2009 and June 2010 the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group:

- ▶ AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any significant impact on the accounting policies, financial position or performance of the Group:

- ▶ AASB 2 *Share-based Payment*
- ▶ AASB 8 *Operating Segments*
- ▶ AASB 101 *Presentation of Financial Statements*
- ▶ AASB 107 *Statement of Cash Flows*
- ▶ AASB 117 *Leases*
- ▶ AASB 134 *Interim Financial Reporting*
- ▶ AASB 136 *Impairment of assets*
- ▶ AASB 138 *Intangible Assets*
- ▶ AASB 139 *Financial Instruments: Recognition and Measurement*
- ▶ AASB Interpretation 9 *Reassessment of Embedded Derivatives*
- ▶ AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
- ▶ AASB Interpretation 17 *Distribution of Non-cash Assets to owners*

(ii) Accounting standards and interpretations issued but not yet effective:

Australian Accounting Standards and Interpretations that have recently been amended but are not yet effective have not been adopted by the group for the annual reporting period ending 31 December 2010.

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ended 31 December 2010:

Reference	Title	Summary	Application date of standard*	Impact on group financial report	Application date for group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</p> <p>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</p> <p>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	Expected to have minimal effect	1 January 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p>	1 January 2011	The amendments are expected to affect only disclosures	1 January 2011

Reference	Title	Summary	Application date of standard*	Impact on group financial report	Application date for group*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	Expected to have minimal effect	1 January 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011	The amendments are expected to affect only disclosures	1 January 2011
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 January 2013	The amendments are expected to affect only disclosures	1 January 2013

* Designates the beginning of the applicable annual reporting period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Basis of consolidation

Subsequent to 1 January 2010

The consolidated financial statements comprise the financial statements of Electrometals Technologies Limited and its subsidiaries (as outlined in note 29) as at and for the period ended 31 December each year (“the group”).

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions and unrealised gains and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the group and cease to be consolidated from the date on which control is transferred out of the group. Investments in subsidiaries held by Electrometals Technologies Limited are accounted for at cost in the separate financial statements of the parent entity, less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair value (see note 2(d)). The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary
- ▶ Derecognises the carrying amount of any non-controlling interest
- ▶ Derecognises the cumulative translation differences, recorded in equity
- ▶ Recognises the fair value of the consideration received
- ▶ Recognises the fair value of any investment retained
- ▶ Recognises any surplus or deficit in profit or loss
- ▶ Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate

Prior to 1 January 2010

Certain of the above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- ▶ Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- ▶ Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between NCI and the parent shareholders.
- ▶ Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments at 1 January 2010 have not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Business combinations

Subsequent to 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Prior to 1 January 2010

In comparison to the above-mentioned requirements, the following difference applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional acquired share of interest did not affect previously recognised goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

(e) Operating segments

A business segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relation to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments, such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on information provided to the chief operating decision makers, being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

- nature of the products and services
- nature of the production processes
- type or class of customer for the products and services
- methods used to distribute the products or provide the services and, if applicable
- nature of the regulatory environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(f) Foreign currency translation

i) Functional and presentation currency

The functional and presentation currency of both Electrometals Technologies Limited and its Australian subsidiaries is Australian dollars (\$). The functional currency of Electrometals Canada is Canadian dollars and the functional currency of Kurion Technologies is British pounds, both of which are translated to the presentation currency (see below).

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

iii) Translation of group companies functional currency to presentation currency

The results of the Electrometals Canada and Kurion Technologies and their assets and liabilities are translated into Australian Dollars at exchange rates prevailing at the reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of the net investment in these companies are taken to the foreign currency translation reserve. If the investment in these companies were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in other comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities in the statement of financial position.

(h) Trade and other receivables

Trade receivables, which generally have 30-60 days terms, are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis at operating unit level. An impairment provision is recognised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows.

(i) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials: Purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work-in-progress: Cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(j) Derivative financial instruments and hedging

The group uses derivative financial instruments, specifically forward currency contracts, to hedge its exposure to foreign exchange risks from operational activities. The company does not hold or issue derivative financial instruments for trading purposes. The derivative financial instruments are initially recognised in the financial statements at fair value at the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

(k) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

(l) Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit and loss as incurred. Depreciation is calculated using the diminishing value method over the estimated useful life of the specific assets as follows:

Computer equipment	40%
Motor vehicles	20%
Other machinery and equipment	20%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

Group as a lessee

The group has no finance leases in place. Operating lease payments are recognised as an expense in net income on a straight-line basis over the lease term. The group has received no operating lease incentives.

(n) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

The group conducts an internal review of asset values on a periodic basis, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(o) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination, being the excess of the cost of the business combination over the group's net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible assets arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Patents

Annual patent maintenance costs are recognised as an expense in the net income as and when they are incurred. Patent application costs are capitalised and then amortised over the life of the patent.

(p) Pensions and other post-employment benefits

The group makes payments to external superannuation funds under the compulsory superannuation contribution scheme, as required by law and as directed by employees. These contributions are recognised as an expense in the net income as and when they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(q) Trade and other payables

Trade and other payables are carried at amortised cost and, due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and they arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured subsequently at amortised cost, using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. The group does not hold qualifying assets currently; but, if it did, the borrowing costs directly associated with those assets would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(s) Provisions and employee benefits

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of future payments expected to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(t) Share-based payment transactions

Equity-settled transactions

The group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The plan in place is called the Employee Share Option Plan (ESOP), under which eligible employees are entitled to receive benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer, using a binomial model, further details of which are given in note 29. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Electrometals Technologies Limited (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At each subsequent reporting date until vesting, the cumulative charge to the net income is the product of:

- i) the grant date fair value of the award;
- ii) the current best estimate on the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood on non-market performance conditions being met; and
- iii) the expired portion of the vesting period.

The charge to the net income for the period is the cumulative amount as calculated above, less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by Electrometals to employees of subsidiaries are recognised in the parent's separate financial statement as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Electrometals in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the group is the total expense associated with all such awards. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest, irrespective of whether or not that market condition or non-vesting condition is fulfilled, provided all other conditions are satisfied.

If a non-vesting condition is within the control of the group, company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the group, company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification. If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

(u) Contributed equity and preference shares

Ordinary and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable, to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Plant and system sales, laboratory testing and on-site pilot programs

Revenue derived by the parent company from contracts for the supply of electrowinning plants, laboratory testing and on-site pilot programs is recognised by reference to the stage of completion, which is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Revenue derived by Kurion Technologies for their systems sales is recognised on the basis of total labour and materials costs incurred on a project, marked up at the expected final margin. In both cases, where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Sale of spare parts

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer.

(iii) Interest income

Revenue is recognised as interest accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial assets and allocating the interest over the relevant period, using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(w) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent it has become probable future taxable profit will allow the deferred tax to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST, except that:

- when GST incurred on a purchase of goods and services is not recoverable from the taxation authority, the GST is recognised as part of the acquisition cost of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the GST recoverable from, or payable to, the taxation authority.

(x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(y) Put and call options liability

Put and call options were in place over the 49% non-controlling shareholding in the 51% owned subsidiary Kurion Technologies Ltd, exercisable in the normal course of events in 2013, with the purchase price based on a multiple of earnings or mutually agreed basis. A put option liability was recognised for the expected future purchase of this non-controlling shareholding, based on Kurion's estimated future earnings. Recognition of put option liability gave rise to additional goodwill on account of increase in purchase consideration payable at a future date. With the disposal of the shareholding in Kurion in July 2010, the put option liability was derecognised against goodwill.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's principal financial instruments comprise receivables, payables, cumulative convertible redeemable preference shares, cash and short-term deposits and derivatives. The group manages its exposure to key financial risks, specifically interest rate risk, currency risk, credit and liquidity risks, in accordance with the group's financial risk management policy. The objective is to support the delivery of the group's financial targets, whilst protecting and enhancing future financial security. The group enters into derivative transactions, consisting of forward currency contracts, the purpose being to manage the currency risk arising from group operations. The group does not trade in derivatives. The derivatives provide economic hedges, but do not qualify for hedge accounting.

The main risks arising from the group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The group uses different methods to measure and manage different types of risk to which it is exposed. These include the monitoring levels of exposure to interest rate and foreign exchange risk, and assessments of market forecast for interest rates and foreign exchange rates. Ageing analyses and monitoring of specific credit allowance are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cashflow forecasts which are tabled and reviewed at each board meeting.

Primary responsibility for identification and control of financial risks rests with the board of directors, however the day-to-day management of these risks is under the control of the Chief Executive Officer in conjunction with the Financial Controller. The board reviews and agrees the strategy for managing future cash flow requirements and projections, however the management of hedging cover of foreign currency (comprising solely euros and US dollars) and interest rate risk is undertaken by the Chief Executive Officer and Financial Controller.

Risk exposures and responses

Interest rate risk

The group's exposure to market interest rates relates primarily to the group's funds held on term deposit. The level of these deposits is disclosed in note 10. At balance date the group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2010	2009
	\$	\$
Financial assets		
Cash and cash equivalents	890,511	2,362,720
Financial liabilities		
Bank loans	-	(23,549)
Net exposure	<u>890,511</u>	<u>2,339,171</u>

The group's policy is to place funds on interest-bearing term deposit that are surplus to immediate requirements. The group's interest rate exposure is reviewed near the maturity date of term deposits, to assess whether more attractive interest rates are available without increasing risk. The following sensitivity analysis is based on the interest rate exposures in existence at balance sheet date:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity (including accumulated losses) would have been affected as follows:

Judgements of reasonably possible movements

	Post-tax profit		Other comprehensive income	
	Higher / (lower)		Higher / (lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
All other currencies: + 1% (100 basis points)	8,000	23,000	-	-
All other currencies: - 0.5% (50 basis points)	(4,000)	(11,500)	-	-

The potential movements in profit are due to higher/(lower) interest income from cash balances.

Foreign currency risk

The group's sales are almost entirely to overseas customers and it also sources components from overseas. For sales, the contracts are usually denominated in Australian dollars, so the foreign exchange risk is effectively passed to the customer. For the purchase of overseas components, no forward exchange cover is obtained for small items, as the cost cannot be justified. For larger purchases, an assessment is made at the time the invoice is received whether to obtain forward currency cover, having regard to recent and anticipated currency movements.

At 31 December 2010, the group had the following exposure to foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED	
	2010	2009
	\$	\$
Financial liabilities		
Trade and other payables	51,982	45,296

As outlined in note 22, the group also makes use of forward currency contracts that are subject to fair value movements through profit and loss, as foreign exchange rates move.

The following sensitivity is based on foreign currency risk exposures in existence at the balance sheet date:

At 31 December 2010, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements

	Post-tax profit		Other comprehensive income	
	Higher / (lower)		Higher / (lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
AUD/All currencies + 10%	5,198	4,530	-	-
AUD/All currencies - 5%	(2,599)	(2,265)	-	-

The potential movements in profit in 2010 are more sensitive than in 2009 due to the higher level of payables in foreign currency at balance date.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Price risk

The group's exposure to commodity price risk is minimal and not material.

Credit risk

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The group's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The group does not hold any derivatives to offset its credit exposure.

The group trades for the most part with recognised creditworthy third parties and, as such, collateral is not requested nor is it the group's policy to securitise its trade and other receivables. However, the group has a policy of seeking a substantial deposit on the sale of its electrowinning plants and water treatment systems, to cover outlays on materials and components required when the manufacture of a plant begins. Receivable balances are monitored on an ongoing basis, with the result that the group's exposure to bad debts is minimised. Term deposits funds are placed with major financial institutions to minimise the risk of default of counterparties.

Liquidity risk

The group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival in the event of a business downturn. Currently, the group is almost entirely dependent on shareholder funds and surpluses derived from operations, and has no finance facilities in place. The group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. Where an amount is payable or receivable, the liability or asset is allocated to the most likely period in which payment is expected.

The table below reflects all contractually fixed pay-offs and receivables for settlement resulting from recognised financial assets and liabilities as of 31 December 2010. The obligations for the respective undiscounted cash flows for the upcoming fiscal years are presented. There are no financial assets or liabilities without a fixed amount or timing existing at 31 December 2010. The remaining contractual maturities of the group's financial liabilities are:

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	< 6 months	6-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2010					
Liquid financial assets					
Cash and cash equivalents	890,511	-	-	-	890,511
Trade and other receivables	725,010	-	114,200	-	839,210
	<u>1,615,521</u>	<u>-</u>	<u>114,200</u>	<u>-</u>	<u>1,729,721</u>
Financial liabilities					
Trade and other payables	(498,822)	-	-	-	(498,822)
Net inflow / (outflow)	<u>1,116,699</u>	<u>-</u>	<u>114,200</u>	<u>-</u>	<u>1,230,899</u>
Year ended 31 December 2009					
Liquid financial assets					
Cash and cash equivalents	2,362,720	-	-	-	2,362,720
Trade and other receivables	1,525,179	-	26,909	-	1,552,088
	<u>3,887,899</u>	<u>-</u>	<u>26,909</u>	<u>-</u>	<u>3,914,808</u>
Financial liabilities					
Trade and other payables	(1,353,451)	-	-	-	(1,353,451)
Interest-bearing loans and borrowings	(23,549)	-	-	-	(23,549)
Buy-out of non-controlling interest	-	-	(960,000)	-	(960,000)
	<u>(1,377,000)</u>	<u>-</u>	<u>(960,000)</u>	<u>-</u>	<u>(2,337,000)</u>
Net inflow / (outflow)	<u>2,510,899</u>	<u>-</u>	<u>(933,091)</u>	<u>-</u>	<u>1,577,808</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Derivative financial liabilities

The group uses derivative financial instruments on a limited basis to fix the cost of raw material and component purchases from overseas suppliers.

Fair value of derivative financial instruments

The group uses various methods for estimating the fair value of a financial instrument. The methods comprise:

Level 1: the fair value is calculated using quoted prices in active markets.

Level 2: the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the derivative financial instruments at year end is not considered material.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions, and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

i) Significant accounting judgements

Operating lease commitments – group as lessee

The group has entered into commercial property leases for properties from which its operations are carried out. The group has determined that it has none of the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Impairment of non-financial assets other than goodwill

The group assesses impairment of all assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment, management considered that impairment needed to be tested and, as such, these assets have been tested for impairment in this financial period.

Revenue recognition

Revenue recognition by the parent company on contracts for the supply of electrowinning plants, laboratory testing and on-site pilot programs is based on percentage completion, measured by actual hours versus budgeted hours. Revenue derived by Kurion Technologies for their systems sales is recognised on the basis of total labour and materials costs incurred on a project, marked up at the expected final margin.

Capitalised development costs

Development costs are only capitalised by the group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

Taxation

The group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet.

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Significant accounting estimates and assumptions

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated.

Share-based payment transactions

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer, using a Black Scholes model, with the assumptions detailed in note 31. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Make good provisions

No provision has been made for the present value of anticipated costs of future restoration of leased premises, as the likely costs are not considered to be material.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in note 6.

5. OPERATING SEGMENTS

During the year, the group's activities consisted solely of the manufacturing and sale of electrowinning equipment for the metals processing industry. In July 2010, the group sold its 51% share in the water treatment company Kurion Technologies and this has been classified as a discontinued operation.

6. EXPENSES

	2010	2009
	\$	\$
(a) Other expenses		
Net foreign exchange differences	-	(5,474)
Bad debts written off	(94,645)	-
Provision for doubtful debts - external	94,102	(94,102)
Research and development written off	(163,349)	(19,411)
Non-revenue test programs and other items written off	(902,815)	(392,216)
	<u>(1,066,707)</u>	<u>(511,203)</u>
(b) Depreciation and amortisation		
Depreciation	(191,309)	(212,542)
Amortisation of patents	(748)	(887)
	<u>(192,057)</u>	<u>(213,429)</u>
(c) Minimum operating lease payments	<u>(326,696)</u>	<u>(400,385)</u>
(d) Employee benefits expense		
Wages and salaries	(1,613,748)	(1,486,954)
Superannuation contributions	(105,675)	(178,330)
Share-based payment expense	(9,544)	5,164
	<u>(1,728,967)</u>	<u>(1,660,120)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX

	2010	2009
	\$	\$
Major components of income tax expense for the years ended 31 December 2010 and 2009 are:		
Statement of comprehensive income		
<i>Current income tax</i>		
Current income tax benefit	-	-

For the years ended 31 December 2010 and 2009, a reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income rate as compared to income tax expense at the group's effective income tax rate is as follows:

Accounting profit / (loss) before tax – continuing operations	(1,982,001)	(1,879,732)
Income tax at statutory rates 30%	594,600	563,920
Expenditure not allowable for income tax purposes	(2,863)	1,549
Deductions allowed for prior years share issue expenses	31,296	32,966
Tax losses not brought to account	(623,033)	(598,435)
Benefit of tax losses not brought to account	-	-
Income tax benefit in the statement of comprehensive income	-	-

The directors estimate that the potential deferred tax asset (net) as at 31 December 2010 not brought to account is \$8,797,566 (2009: \$8,171,670) at the income tax rate of 30%. The majority of this benefit comprises unused tax losses brought forward from previous years, being \$8,605,680 (2009: \$7,956,075).

The benefit of tax losses available for offset against future taxable income will only be obtainable if:

- (i) The company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- (ii) The company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) No changes in tax legislation adversely affect the company in realising the benefit from the deduction for the losses.

8. DIVIDENDS PAID AND PROPOSED

The company has not declared or paid any dividends. Due to past losses incurred by the company, there are no franking credits available for the subsequent financial year.

9. EARNINGS PER SHARE

	2010	2009
	\$	\$
(a) Earnings used in calculating earnings per share		
<i>For basic and diluted earnings per share</i>		
Net loss	(2,441,524)	(1,582,993)
Adjustment for preference shares	(21,333)	(21,333)
	(2,462,857)	(1,604,326)
(b) Weighted average number of ordinary shares for basic earnings per share	204,357,579	204,357,579
<i>Effect of dilution</i>		
Share options	-	-
Preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	204,357,579	204,357,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE - continued

Information on the classification of securities:

(i) Options

Options granted to employees (including key management personnel) as described in note 31 are considered as potential ordinary shares but they have not been included in the determination of diluted earnings per share because they are anti-dilutive. These options were not included in the determination of basic earnings per share.

(ii) Preference shares

The redeemable preference shares as described in note 23 are considered to be potential ordinary shares, but they have not been included in the determination of diluted earnings per share because they are anti-dilutive.

10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash at bank and on hand	90,511	60,891
Short-term deposits	800,000	2,301,829
	<u>890,511</u>	<u>2,362,720</u>

Reconciliation to cash flow statement

The above figures correspond to the cash and cash equivalents shown in the cash flow statement.

11. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade debtors – other persons/corporations	538,443	1,206,621
Less: provision for doubtful debts	-	(94,102)
	<u>538,443</u>	<u>1,112,519</u>
Unbilled accrued revenue	133,397	194,805
Other	53,170	217,855
	<u>725,010</u>	<u>1,525,179</u>

(a) Allowance for impairment loss

Trade receivables are not interest-bearing and are generally on 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$543 arising from non-recoverability of debtors has been recognised by the group in 2010 (2009: \$94,102). Movements in the provision for impairment loss were as follows:

Other persons/corporations – 1 January

Opening balance	94,102	-
Charge for the year	543	94,102
Amounts written off	(94,645)	-
Closing balance	<u>-</u>	<u>94,102</u>

At 31 December, the ageing analysis of trade receivables is as follows:

0 – 30 days	269,490	667,179
31 – 60 days	11,341	52,793
61 – 90 days – past due not impaired	188,140	81,509
+91 days – past due not impaired	69,472	311,038
+ 91 days – past due considered impaired	-	94,102
	<u>538,443</u>	<u>1,206,621</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Related party receivables

For terms and conditions of related party receivables, refer to note 29.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

(d) Foreign and interest rate risk

Detail regarding foreign exchange and interest rate risk is disclosed in note 3.

12. CURRENT ASSETS – INVENTORIES

	2010	2009
	\$	\$
Raw materials and stores - at cost	482,708	487,044
Finished goods	-	-
	<u>482,708</u>	<u>487,044</u>

Inventories recognised as an expense for the year ended 31 December 2010 totalled \$1,609,432. (2009: \$1,646,025). This expense has been included in the cost of sales line item as a cost of inventories. Inventory writedowns recognised as an expense totalled \$Nil (2009: \$Nil).

13. NON-CURRENT ASSETS – RECEIVABLES

Deposits	26,909	26,909
Other	87,291	-
	<u>114,200</u>	<u>26,909</u>

- (a) The deposits are held in relation to the group's office accommodation, workshop space and power supply. All amounts are receivable in Australian dollars and are not considered past due or impaired.
- (b) The fair values are the same as the carrying values.
- (c) The interest rate and credit risks are not material.

14. NON-CURRENT ASSETS – INVESTMENTS IN SUBSIDIARIES

Investments in controlled entities		
At cost (note 27)	-	90
	<u>-</u>	<u>90</u>

15. NON-CURRENT ASSETS – PLANT & EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period:

Opening carrying amount, net of accumulated depreciation and impairment	1,091,438	1,082,736
Additions	59,716	234,011
Net assets disposed on business sale	(33,611)	-
Disposals	(9,645)	(1,370)
Depreciation expense (note 6 (b))	(191,309)	(212,542)
Foreign currency exchange difference	(4,153)	(11,397)
Carrying amount at the end of the year, net of accumulated depreciation and impairment	<u>912,436</u>	<u>1,091,438</u>

(b) Carrying amounts if plant and equipment were measured at cost less accumulated depreciation and impairment:

Plant & equipment at cost	1,839,340	1,903,033
Less: accumulated depreciation and impairment	(926,904)	(811,595)
Net carrying amount	<u>912,436</u>	<u>1,091,438</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. NON-CURRENT ASSETS – GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Reconciliation of carrying amounts at the beginning and end of the year

	Development costs	Patents	Goodwill	Total
Year ended 31 December 2010				
Opening carrying amount, net of accumulated amortisation and impairment	-	9,889	1,605,832	1,615,721
Patents acquired	-	11,315	-	11,315
Amortisation	-	(748)	-	(748)
Goodwill on discontinued operation	-	-	(645,832)	(645,832)
Minority buyout accrual discontinued operation	-	-	(960,000)	(960,000)
Closing carrying amount, net of accumulated amortisation and impairment	-	20,456	-	20,456
Cost (gross carrying amount)	110,854	22,091	589,975	722,920
Accumulated amortisation and impairment	(110,854)	(1,635)	(589,975)	(702,464)
Net carrying amount	-	20,456	-	20,456

	Development costs	Patents	Goodwill	Total
Year ended 31 December 2009				
Opening carrying amount, net of accumulated amortisation and impairment	-	-	645,832	645,832
Increase in cost from put option	-	-	960,000	960,000
Patents acquired	-	10,776	-	10,776
Amortisation	-	(887)	-	(887)
Closing carrying amount, net of accumulated amortisation and impairment	-	9,889	1,605,832	1,615,721
Cost (gross carrying amount)	110,854	10,776	2,195,807	2,317,437
Accumulated amortisation and impairment	(110,854)	(887)	(589,975)	(701,716)
Net carrying amount	-	9,889	1,605,832	1,615,721

(b) Description of the group's intangible assets and goodwill

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation is recognised in the net income in the line item "other expenses".

(ii) Goodwill

After initial recognition, goodwill measured on a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(iii) Patents

After initial capitalisation of patents acquisition costs, patents are amortised over the life of the patent.

(c) Impairment losses recognised

Continuing operations

Impairment losses were recognised in previous years in relation to the Canadian subsidiary, Electrometals Canada Inc, amounting to \$589,975 and for automated harvester development costs of \$110,854.

(d) Impairment tests for goodwill and intangibles with indefinite future lives

(i) Description of the cash generating units and other information

Goodwill acquired through business combinations is allocated to an individual cash generating unit, which was a reportable segment (refer to note 5) for impairment testing. Goodwill has been de-recognised on disposal of the relevant cash generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. NON-CURRENT ASSETS – GOODWILL AND OTHER INTANGIBLE ASSETS - continued

Electrowinning technology

The recoverable amount of the Canadian subsidiary, Electrometals Canada Inc, has been assessed at nil. Currently, the subsidiary derives a small amount of income, but continues to make losses. The recoverable amount of the investment in development costs for the automated harvester has also been assessed at nil, as no income is expected to be derived in the immediate future.

(ii) *Key assumptions used in value in use calculations for the water treatment unit for 31 December 2010*

The calculation for value in use is most sensitive to the following assumptions:

Gross margins
Discount rates
Market share
Sales growth estimates

Gross margins

Gross margins are based on historical data over recent years. Although efficiency improvements may be expected, these have not been taken into account.

Discount rates

Discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining an appropriate discount rate, the discount has been adjusted for country and business risk.

Market share

The market is diverse and growing, therefore it is difficult to define a target market share. The assumption has been made that current market share can be maintained and possibly increased slightly.

Sales growth rate estimates

The assumption has been made that sales can be at least maintained at the current level and can probably be increased to some extent in the short-term, before assuming a long-term gradual growth pattern.

(iii) *Sensitivity to changes in assumptions*

There are no reasonably possible changes foreseen at present that would result in impairment of the carrying values of the goodwill and development costs.

17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2010	2009
	\$	\$
Trade payables	197,859	917,682
Accruals	350,963	433,769
	548,822	1,351,451
	548,822	1,351,451

- (a) Due to the short-term nature of these payables, the carrying value is assumed to approximate fair value.
 (b) For terms and conditions applying to related party payables of \$Nil (2009: \$12,744), refer to note 29.
 (c) Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

18. CURRENT LIABILITIES – DEFERRED INCOME

Progress billings for contracts in progress	370,091	2,324,176
Less: revenue recognised	(312,146)	(1,966,535)
	57,945	357,641
	57,945	357,641

Revenue in advance represents payments on contracts received in advance of being taken up in the profit and loss on a percentage completion basis. The carrying amount is assumed to approximate fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. CURRENT LIABILITIES – PROVISIONS

	2010	2009
	\$	\$
Employee benefits – Annual leave	168,057	145,016
<i>Movement in provision</i>		
Opening balance	145,016	165,325
Arising during the year	144,678	161,853
Utilised	(121,637)	(182,162)
Closing balance	168,057	145,016

Refer to note 2(s)(i) for the relevant accounting policy and a discussion of the significant estimations and assumptions in the measurement of this provision.

20. NON-CURRENT LIABILITIES – PROVISIONS

Employee benefits – Long service leave	48,422	47,214
<i>Movement in provision</i>		
Opening balance	47,214	34,966
Arising during the year	16,369	13,080
Utilised	-	-
Relinquished	(15,161)	(832)
Closing balance	48,422	47,214

21. INTEREST-BEARING LIABILITIES

<i>Current</i>		
Bank loan - secured	-	23,549

The loan in 2009 was secured by a fixed and floating charge over all the current and future assets of Kurion.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments in the form of foreign currency contracts are used by the group in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates. They are specifically used to fix the purchase cost of firm orders placed for overseas-sourced manufacturing components, with the contracts usually being 60 days or less. The group does not trade in these derivative financial instruments. Although the forward currency contracts are matched against forecast inventory purchases, the company has chosen not to adopt hedge accounting and any gain or loss on the contracts attributable to the hedged risk is taken directly to the statement of comprehensive income.

Forward currency contracts – cash flow hedges

The cash flows are expected to occur within 75 days from 1 January and the profit or loss within cost of sales will be affected over the next few months as the inventory is either used in production or sold. At balance date, the details of the outstanding contracts are:

	Notional Amounts		Average Exchange Rate	
	2010	2009	2010	2009
	\$	\$	\$	\$
<i>Buy United States dollars / sell Australian dollars</i>	128,866	-	0.97	-
<i>Buy euros / sell Australian dollars</i>	-	190,562	-	0.5955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. CUMULATIVE REDEEMABLE CONVERTIBLE PREFERENCE SHARES

The 8% cumulative redeemable convertible preference shares were issued in 1998. Holders of the preference shares are entitled to receive a cumulative fixed preferential dividend at the rate of 8% per annum on the issue price (40c), but have no further right to participate in profits or losses of the company, whether surplus or otherwise. The company shall not redeem the preference shares before June 2008, and has no obligation to do so after that time, and any redemption shall be from profits that would otherwise be available for dividends, or out of the proceeds of a fresh issue of shares made for the purpose of the redemption. The preference shareholders do not have the right to have the shares redeemed; they may convert each preference share into an ordinary share at any time by giving written notice to the company and, when converted, all unpaid arrears of dividends in respect of the converted shares are deemed to be cancelled. The cumulative dividend on preference shares not recognised at 31 December 2010 is \$267,193 (2009: \$245,890).

	2010	2009
	\$	\$
Balance	133,333	133,333

Due to the conditions attaching to the preference shares, their maturity date is uncertain. Their carrying value is therefore considered to be their fair value.

24. CONTRIBUTED EQUITY

	Shares	Shares	\$	\$
	2010	2009	2010	2009
<i>Issued and paid up capital:</i>				
Fully paid ordinary shares	204,357,579	204,357,579	33,187,455	33,187,455
Fully paid 8% cumulative redeemable convertible preference shares (see note 23)	666,667	666,667	133,333	133,333
	<u>205,024,246</u>	<u>205,024,246</u>	<u>33,320,788</u>	<u>33,320,788</u>

Movement in shares on issue

Date	Detail	Number	\$
1.1.2009	Balance*	205,024,246	33,320,788
31.12.2010	Balance*	205,024,246	33,320,788

* Includes 666,667 fully paid 8% cumulative redeemable convertible preference shares.

The ordinary shares do not have a par value. Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

As at 31 December 2010 there are 33,255,557 listed options, exercisable at 14 cents and expiring on 18 April 2011.

(a) Capital management

When managing capital, management's objective is to ensure the group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the group. As the market is constantly changing, management may return capital to shareholders, issue new shares, sell assets to reduce debt or vary any dividends paid to shareholders. No dividends have been paid in 2010 or 2009, and there are no current plans to pay dividends. Management has no current plans to issue further shares on the market, other than the share issue announced on 28 February 2011.

The level of cash and cash equivalents on hand at 31 December 2010 and 2009 was in excess of the total borrowings (including interest-bearing loans and trade and other payables), therefore a gearing ratio has not been calculated.

The group is not subject to any externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2010	2009
	\$	\$
25. RETAINED EARNINGS AND RESERVES		
(a) Movements in retained earnings were as follows:		
Balance 1 January	(28,715,581)	(27,124,039)
Net loss	(2,216,358)	(1,591,542)
Balance 31 December	<u>(30,931,939)</u>	<u>(28,715,581)</u>
(b) Movement in foreign currency translation reserve:		
Balance 1 January	17,140	15,426
Decrease	(127,654)	1,714
Balance 31 December	<u>(110,514)</u>	<u>17,140</u>
(c) Movement in employee equity benefits reserve		
Balance 1 January	159,333	164,497
Share-based payments	9,544	(5,164)
Balance 31 December	<u>168,877</u>	<u>159,333</u>

(d) Nature and purpose of reserves

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share-based payments to employees, including key management personnel, as part of their remuneration. Refer to note 31 for details.

Foreign currency translation reserve

The foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

26. CASH FLOW STATEMENT RECONCILIATION

Reconciliation of the net profit / (loss) after tax to net operating cash flows:

	2010	2009
	\$	\$
Net loss after tax	(2,441,524)	(1,582,993)
(a) Adjustments for:		
Depreciation	191,309	212,542
Amortisation	748	887
Net loss on disposals of plant and equipment	9,645	1,102
Loss on sale of subsidiary	183,562	-
Share-based payments expense	9,544	(5,164)
Interest received	(69,672)	(63,877)
Changes in assets and liabilities		
Decrease / (increase) in inventories	(156,993)	696,892
Decrease / (increase) in debtors and prepayments	1,033,191	(353,493)
(Decrease) / increase in creditors and provisions	(628,371)	601,973
GST on investing and financing cash flows	4,671	(1,355)
Foreign exchange movement	(3,513)	-
Net cash outflow from operating activities	<u>(1,867,403)</u>	<u>(493,486)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. INFORMATION RELATING TO ELECTROMETAL TECHNOLOGIES LIMITED (the parent entity)

	2010	2009
	\$	\$
Current assets	2,171,985	3,780,499
Total assets	3,182,607	6,270,040
Current liabilities	760,242	658,443
Total liabilities	808,664	1,665,657
Issued capital	33,320,788	33,320,788
Accumulated losses	(31,115,722)	(28,875,738)
Employee equity benefits reserve	168,877	159,333
	<u>2,373,943</u>	<u>4,604,383</u>
Profit / (loss) of the parent entity	(2,239,984)	(1,963,201)
Total comprehensive income of the parent entity	(2,230,440)	(1,961,487)

Refer to notes 32 and 33 for commitments and contingencies

28. DISCONTINUED OPERATIONS

(a) Details of operations sold.

In July 2010, the company sold its 51% shareholding in Kurion Technologies, having concluded that the long-term objectives of Kurion's 49% minority shareholder were not in keeping with the group's overall objectives.

(b) Financial performance of operations sold.

The results of the discontinued operations for the half-year to 30 June 2010 are as follows:

	2010	2009
	\$	\$
Revenue	1,542,397	1,456,470
Cost of sales	(1,285,725)	(1,069,946)
Gross profit	256,672	386,524
Expenses	(663,180)	(575,695)
Operating loss	(406,508)	(189,171)
Other income	191	2
Other expenses	(40,963)	(40,640)
Loss before tax	(447,280)	(229,809)
Tax	(12,243)	-
Loss from discontinued operations after tax	<u>(459,523)</u>	<u>(229,809)</u>

(c) Assets and liabilities of operations sold.

The classes of assets and liabilities of Kurion Technologies Limited at 30 June 2010 were as follows:

	2010
	\$
Assets	
Cash and cash equivalents	40,236
Trade and other receivables	390,884
Inventory	161,330
Property plant and equipment	54,673
Other	40,712
Assets classified as held for sale	<u>687,834</u>
Liabilities	
Trade and other payables	(1,054,418)
Loans	(390,551)
Total liabilities	<u>(1,444,969)</u>
Net liabilities	<u>(757,135)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. DISCONTINUED OPERATIONS

(d) Cash flow information: operations sold.

	2010 \$
The net cash flows of Kurion Technologies Limited were as follows:	
Operating activities	54,743
Investing activities	(26,203)
Financing activities	5,102
Net cash flow	<u>33,642</u>

(e) Consideration received or receivable.

Present value of deferred sale proceeds, less selling expenses	76,129
Add: 51% of net liabilities disposed of	386,139
Total sales recovery	<u>462,268</u>
Less: acquisition cost, including goodwill	(645,832)
Loss on sale	<u>(183,564)</u>
<i>Net cash inflow on disposal</i>	
Repayment of intercompany loan funds	390,551
Less: cash balances disposed of	(40,236)
Reflected in the consolidated statement of cash flows	<u>350,315</u>

29. RELATED PARTIES INFORMATION

The group consists of Electrometals Technologies Limited and the following subsidiaries:

Name	Incorporated in	Class of shares	Holding % 2010	Holding % 2009
Electrometals Canada Inc.	Canada	Ordinary	100	100
Kurion Technologies Limited	England	Ordinary	-	51
Materials Research Pty Ltd	Australia	Ordinary	100	100
Mallonbury Pty Ltd	Australia	Ordinary	97.4	97.4

Electrometals Technologies Limited is the parent entity of the group. The subsidiaries Materials Research Pty Ltd and Mallonbury Pty Ltd are not consolidated because each is dormant and the investment in each is not material. In July 2010, Electrometals sold its 51% shareholding in Kurion Technologies Limited.

As the group's parent entity, Electrometals Technologies Limited provides ongoing financial support to its subsidiaries. The support is reviewed in the annual budget process and also from time to time at board meetings, as the need arises. Transactions between Electrometals Technologies Limited and companies in the group during the years ended 31 December 2010 and 2009 consisted of:

- Loans were advanced to Electrometals Canada Inc. during the current and previous financial years. The advances are interest free, unsecured and with no fixed repayment terms.
- Administration and accounting services were provided to Electrometals Canada Inc. free of charge during the current and previous financial years.
- Loans were advanced to Kurion Technologies Limited during 2009, at commercial interest rates.
- The parent company purchased goods and services from Kurion Technologies amounting to \$Nil during 2010 (2009: \$208,854).

Other related party transactions

Substantial shareholder - Industrie de Nora S.p.A. and its related companies have received or become entitled to receive benefits for the supply of goods and services. Electrometals also provided goods and services to De Nora. Amounts paid or payable totalled \$400,967 (2009: \$63,017) and amounts received or receivable totalled \$24,809 (2009: \$96,810). Balance payable at year-end: \$Nil (2009: \$12,744). Balance receivable at year-end: \$7,959 (2009: \$16,824).

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions, both at normal market prices and on normal terms. Outstanding balances at year-end are unsecured and interest-free; settlement occurs in cash. In the year ended 31 December 2010, the group has made no allowance for doubtful debts for amounts owed by related parties.

Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Directors	R E Keevers	Chairman and CEO
	R G Melgaard	Deputy Chairman and non-executive director
	R J H Mills	Non-executive director
	M R Nugent	Non-executive director <i>Appointed 26 November 2010</i>
	B L Kelly	Non-executive director <i>Resigned 28 June 2010</i>
Executives	I D Ewart	Senior Process Engineer & President, Electrometals Canada
	I A S Burke	Managing Director, Kurion Technologies
	K G Powell	General Manager, Sales and Marketing
	R J Neve	Engineering Manager
	R A Palmer	Senior Process Chemist <i>Resigned 31 December 2010</i>
	C C Barker	Company Secretary & Financial Controller

The above five executives comprise the group executive committee.

(b) Compensation of key management personnel

	2010	2009
	\$	\$
Short-term employee benefits	1,034,301	1,045,112
Non-monetary benefits	-	4,332
Post-employment benefits	89,881	119,895
Share-based payments	9,096	18,238
	1,033,278	1,187,577

(c) Key management personnel shareholdings

The number of ordinary shares in the company held by key management personnel of the group and their related parties are set out below. Disposals of shares during the year include those shares which a person was holding at the time of leaving the company. Key management personnel and their related parties who held no shares during the year are not included.

2010	Balance at start of the year		Acquisitions / (disposals)		Balance at year-end	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Directors						
R E Keevers	2,294,097	487,500	-	-	2,294,097	487,500
R G Melgaard	38,286,819	-	-	-	38,286,819	-
B L Kelly	165,000	-	(165,000)	-	-	-
R J H Mills	500,000	-	1,985,428	-	2,485,428	-
Executives						
I D Ewart	26,625	-	540,000	-	566,625	-
R A Palmer	40,000	-	(40,000)	-	-	-
Total	41,312,541	487,500	2,320,428	-	43,632,969	487,500

2009	Balance at start of the year		Acquisitions / (disposals)		Balance at year-end	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Directors						
R E Keevers	2,294,097	487,500	-	-	2,294,097	487,500
R G Melgaard	34,798,924	-	3,487,895	-	38,286,819	-
B L Kelly	165,000	-	-	-	165,000	-
R J H Mills	-	-	500,000	-	500,000	-
J Bastoni	-	7,500	-	(7,500)	-	-
Executives						
I D Ewart	26,625	-	-	-	26,625	-
R A Palmer	40,000	-	-	-	40,000	-
Total	37,324,646	495,000	3,987,895	(7,500)	41,312,541	487,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) **Key management personnel holdings of unlisted options**

Options over ordinary shares in the company provided as remuneration to key management personnel during the year; the numbers held during the year by key management personnel of the group, including their personally-related entities, are set out below:

2010	Balance at the start of the year	Granted as remuneration	Options exercised	Other net changes	Balance at the end of the year	Exercisable	Not exercisable
Name							
Directors							
R E Keevers	2,000,000	-	-	(600,000)	1,400,000	1,200,000	200,000
Executives							
I D Ewart	1,500,000	-	-	(500,000)	1,000,000	875,000	125,000
K G Powell	1,100,000	-	-	(500,000)	600,000	575,000	25,000
R A Palmer	940,000	-	-	(320,000)	620,000	545,000	75,000
C C Barker	80,000	-	-	-	80,000	60,000	20,000
Total	5,620,000	-	-	(1,920,000)	3,700,000	3,255,000	445,000

2009	Balance at the start of the year	Granted as remuneration	Options exercised	Other net changes	Balance at the end of the year	Exercisable	Not exercisable
Name							
Directors							
R E Keevers	2,000,000	-	-	-	2,000,000	1,600,000	400,000
Executives							
I D Ewart	1,500,000	-	-	-	1,500,000	1,250,000	250,000
R L Burling	1,200,000	-	-	(1,200,000)	-	-	-
K G Powell	1,100,000	-	-	-	1,100,000	1,050,000	50,000
M J Brown	250,000	-	-	(250,000)	-	-	-
R A Palmer	940,000	-	-	-	940,000	790,000	150,000
T Stapurewicz	250,000	-	-	(250,000)	-	-	-
C C Barker	80,000	-	-	-	80,000	40,000	40,000
Total	7,320,000	-	-	(1,700,000)	5,620,000	4,730,000	890,000

(e) **Key management personnel holdings of listed options**

Listed options over ordinary shares in the company held during the year by key management personnel of the group, including their personally-related entities, are set out below: Disposals of options include those shares which a person was holding at the time of leaving the company. Key management personnel and their related parties who held no options during the year are not included.

2010	Balance at start of the year		Acquisitions / (disposals)		Balance at year-end	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Name						
Directors						
R E Keevers	382,350	81,250	-	-	382,350	81,250
R G Melgaard	3,321,005	-	-	-	3,321,005	-
B L Kelly	27,500	-	(27,500)	-	-	-
Total	3,730,855	81,250	(27,500)	-	3,703,355	81,250

2009	Balance at start of the year		Acquisitions / (disposals)		Balance at year-end	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Name						
Directors						
R E Keevers	382,350	81,250	-	-	382,350	81,250
R G Melgaard	3,321,005	-	-	-	3,321,005	-
B L Kelly	27,500	-	-	-	27,500	-
J Bastoni	-	1,250	-	(1,250)	-	-
Total	3,730,855	82,500	-	(1,250)	3,730,855	81,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses
The amount taken up in the accounts relating to the equity-settled share-based payment (and taken as a separate component of equity) for the year ended 31 December 2010 is of \$9,544 (2009: \$5,164 credit). The share-based payment plan is described below.

(b) Share option issue methods
Share options are granted to executives and staff under the Employee Share Option Plan, whose introduction was originally approved by shareholders at the annual general meeting on 30 May 2006. At the annual general meeting on 28 May 2009, shareholders approved the renewal of the plan for a further three years, beginning on 1 June 2009, under the same terms and conditions. Under the plan, each option entitles the holder, while employed by the company and during the option exercise period, to acquire one new listed ordinary share in the company at the option price. 6,600,000 options have been issued to executives and staff under the plan. Separately to the Employee Share Option Plan, shareholders in general meeting have also approved the issue of 2,000,000 options to the Chairman and CEO, Mr RE Keevers.

(c) Summary of options granted.
The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year.

	2010	2010	2009	2009
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the year	5,880,000	8c	7,600,000	8c
Granted during the year	-	-	-	-
Forfeited during the year	(70,000)	12c	(1,720,000)	5c
Exercised during the year	-	-	-	-
Expired during the year	(1,920,000)	5c	-	-
Outstanding at the end of the year	3,890,000	9c	5,880,000	8c

The outstanding balance at 31 December 2010 is represented by:

	<u>Exercise price</u>	<u>Number</u>	<u>Vesting date</u>	<u>Exercise by</u>
1,320,000	5c	660,000	15.9.2007	30.5.2011
	5c	660,000	15.9.2008	30.5.2011
600,000	5c	300,000	15.9.2007	15.9.2011
	5c	300,000	15.9.2008	15.9.2012
1,970,000	12c	492,500	30.6.2008	31.8.2012
	12c	492,500	30.6.2009	31.8.2012
	12c	492,500	30.6.2010	31.8.2012
	12c	492,500	30.6.2011	31.8.2012
		3,890,000		

(d) Weighted average remaining contractual life
The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 1.1 years (2009: 1.62 years).

(e) The range of exercise prices for options outstanding at the end of the year was 5c – 12c (2009: 5c – 12c).

(f) The weighted average fair value of options granted during the year was not applicable (2008: N/A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. COMMITMENTS

	2010	2009
	\$	\$
(a) Operating lease commitments		
Payable as follows:		
Not later than one year	210,750	230,150
Later than one year but not later than five years	-	44,543
	<u>210,750</u>	<u>274,693</u>

These lease commitments relate to office space, workshop space and equipment rentals used in the group's operations. Leases are normally for 1-3 years, with a 1-2 year option.

33. CONTINGENCIES

Legal claim resolved

On 13 August 2007, the company announced to the Australian Securities Exchange that it had received a Queensland Supreme Court claim for approximately \$3 million in relation to an EMEW® plating and powder electrowinning plant supplied in 2002 to the Chilean company Molibdenos y Metales S.A. ("Molymet").

On 12 August 2010, the company announced that it had agreed to a request from Molymet to suspend legal proceedings temporarily, while representatives from both sides attempt to seek resolution of the matter through direct negotiation on a "without prejudice" basis. On 13 October 2010, the company announced that, further to discussions between representatives of the two companies, the legal proceedings had been resolved amicably. As a result of this agreement, all legal actions taken or contemplated by either party in relation to the claim have been discontinued. The terms of the agreement are to remain confidential.

34. EVENTS AFTER THE BALANCE DATE

On 28 February 2011, the company announced a pro-rata 1 for 1 share issue to qualifying holders of shares and listed options, to raise nearly \$4 million, net of issue costs. The pro-rata offer is fully underwritten by the company's largest shareholder.

At the date of this report the directors are not aware of any other matters or circumstances which have arisen since 31 December 2010 that have significantly affected or may significantly affect:

1. the operations of the group in the financial years subsequent to 31 December 2010, or
2. the results of those operations, or
3. the state of affairs of the group in the financial years subsequent to 31 December 2010.

35. REMUNERATION OF AUDITORS

	2010	2009
	\$	\$
Amounts received, or due and receivable by Ernst & Young for:		
Audit or review of the financial reports of the parent company	111,127	146,294
Additional fees – prior years	-	-
	<u>111,127</u>	<u>146,294</u>
Amounts received, or due and receivable by non Ernst & Young audit firms for:		
Audit or review of financial reports	-	44,017

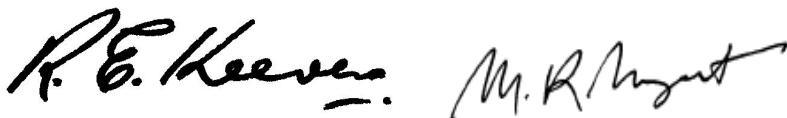
Directors' Declaration

In accordance with a resolution of the directors of Electrometals Technologies Limited, we state that:

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures in the directors' report designated as audited, of the group are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the group's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 December 2010.

On behalf of the board



R E Keevers
Chairman

M R Nugent
Director

Ashmore, Gold Coast
31 March 2011



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Independent auditor's report to the members of Electrometals Technologies Limited

Report on the financial report

We have audited the accompanying financial report of Electrometals Technologies Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

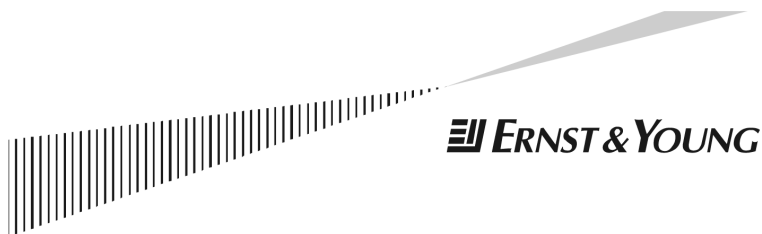
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Liability limited by a scheme approved
under Professional Standards Legislation



Opinion

In our opinion:

- a. the financial report of Electrometals Technologies Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Electrometals Technologies Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of "Ernst & Young" in black ink.

Ernst & Young

A handwritten signature of "Mike Reid" in black ink.

Mike Reid
Partner
Brisbane
31 March 2011

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 8 March 2011.

1. Distribution of equity securities

- (i) Ordinary share capital
204,357,579 fully paid ordinary shares are held by 1,535 individual holders. All issued ordinary shares carry one vote per share and carry the right to dividends
- (ii) Preference share capital
666,667 8% cumulative convertible redeemable preference shares are held by 2 individual shareholders. All issued cumulative convertible redeemable preference shares are convertible at the option of the shareholder into ordinary shares at any time, on the basis of one ordinary share for every one preference share held. Each preference share currently carries one right to vote.
- (iii) Options
33,255,577 listed options are held by 279 individual option holders. The options are exercisable at 14c cents and expire on 18 April 2011.

2. The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Preference shares	Listed options
1 to 1,000	678	-	54
1,001 to 5,000	202	-	58
5,001 to 10,000	142	-	28
10,001 to 100,000	329	-	121
100,001 to (max)	137	2	18
	<u>1,488</u>	<u>2</u>	<u>279</u>
Holdings of less than a marketable parcel	1,204	N/A	265

3. Twenty largest holders of quoted securities – ordinary shares

	Shares held	Percentage
Equitas Nominees Pty Ltd <Group C a/c>	46,620,174	22.81
R G Melgaard	38,286,819	18.74
Industrie De Nora SpA	32,350,000	15.83
Waverton Holdings Limited	12,130,700	5.94
Pegmont Mines Limited	8,458,370	4.14
Liz Claiborne Pty Ltd <R&M Gibson Super Fund a/c>	4,073,961	1.99
R J H Mills	2,485,428	1.22
RHead Investments Pty Ltd <RHead Super Fund a/c>	2,365,000	1.16
R E Keevers	2,294,097	1.12
T M Landy	1,698,658	0.83
A P Bray & T M Bourne	1,620,000	0.79
JP Morgan Nominees Australia Limited <Cash income a/c>	1,492,590	0.73
A J Berrick	1,486,000	0.73
K E & J M Richards	1,025,375	0.50
Y L Melgaard	1,000,000	0.49
K Smith	804,095	0.39
Memento Pty Ltd	798,312	0.39
Torita Pty Ltd	700,000	0.34
Maffray Holdings Pty Ltd	677,500	0.33
Barhill Pty Ltd	600,000	0.29
Total	160,967,079	78.77
Total on issue	204,357,579	

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION - continued

4. Twenty largest holders of quoted securities - options

	Options held	Percentage
Equitas Nominees Pty Ltd <Group C a/c>	14,348,449	43.14
Industrie De Nora SpA	5,391,667	16.21
R G Melgaard	3,321,005	9.99
RHead Investments Pty Ltd <RHead Super Fund a/c>	1,415,923	4.26
C J L Goodger	806,625	2.43
Pegmont Mines Limited	785,068	2.36
Liz Claiborne Pty Ltd <R&M Gibson Super Fund a/c>	678,994	2.04
R E Keevers	382,350	1.15
U Muco	200,000	0.60
C Chin	193,943	0.58
J Hill	167,500	0.50
R M Mierzejewski	150,000	0.45
Woolsthorpe Investments Limited	136,645	0.41
I P Randall	128,819	0.39
D J McDougall	125,000	0.38
Wildflower Pty Ltd	125,000	0.38
P A C Rice <Rice Retirement Fund a/c>	124,888	0.38
D T & T D Clarkson <D Clarkson Super Fund a/c>	102,343	0.31
A C Jackson	100,000	0.30
Sandlir Pty Ltd	100,000	0.30
Total	28,784,219	86.56
Total on issue	33,255,577	

5. Substantial shareholders

Name	Shares held	Percentage
Waverton Holdings Limited	52,620,174	25.67
R G Melgaard	38,286,819	18.67
Industrie De Nora SpA	32,350,000	15.78

CORPORATE DIRECTORY

Current directors

R E Keevers
R G Melgaard
R J H Mills
M R Nugent

Company Secretary

Colin Barker

Principal office and registered office

28 Commercial Drive, Ashmore Qld 4214, Australia
Telephone: +61-7-5526-4663
Facsimile: +61-7-5527-0299
E-mail: emew@electrometals.com.au
Website: www.electrometals.com.au

Overseas offices

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#205-3689 East 1st Avenue, Vancouver BC V5M 1C2, Canada
Telephone: +1-604-320-0333 Facsimile: +1-604-320-0336

Auditors

Ernst & Young
Level 5, Waterfront Place
1 Eagle Street
Brisbane Qld 4000
Telephone: (07) 3011-3333
Facsimile: (07) 3011-3344

Banker

National Australia Bank
2 Classic Way
Burleigh Waters Qld 4220

Share Registry

Computershare Investor Services Pty Ltd
117 Victoria Street
West End Qld 4101
Telephone: (07) 1300-552-270

Solicitors

DLA Phillips Fox
1 Eagle Street
Brisbane Qld 4000

Stock Exchange Listing

Electrometals Technologies ordinary shares are listed on the Australian Securities Exchange (ASX Code: EMM)

Electrometals Technologies Limited

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