

APPENDIX 4D

Electrometals Technologies Limited ABN 25-000-751-093

Half-yearly report

For the period ended 30 June 2010

Results for announcement to the market

\$A'000

Revenue from ordinary activities	Up	101%	to	2,092
Loss from ordinary activities after tax attributable to members	Down	10%	to	(1,443)
Loss for the period attributable to members	Down	10%	to	(1,443)
Dividends (distributions)		Amount per security		Franked amount per security
Interim Dividend		Nil		Nil
Previous corresponding period		Nil		Nil
Record date for determining dividend entitlements		N/A		N/A

If this is a half-yearly report, it is to be read in conjunction with the most recent annual financial report.

NTA backing	Current period	Previous Corresponding Period
Net tangible asset backing per ordinary security (dollars per share)	0.0126	0.013

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ELECTROMETALS TECHNOLOGIES LIMITED
ABN 25-000-751-093
Half-yearly financial report: 30 June 2010

CORPORATE INFORMATION

Directors

RE Keevers	Chairman
RG Melgaard	Deputy Chairman
RJH Mills	Non-executive director

Company Secretary

Colin Barker

Registered office and principal place of business

28 Commercial Drive
Ashmore Qld 4214
Telephone: (07) 5526-4663
Facsimile: (07) 5527-0299
E-mail: emew@electrometals.com.au
Website: www.electrometals.com.au

Share Registrar

Computershare Investor Services Pty Ltd
Level 19, CPA Building
307 Queen Street
Brisbane Qld 4000
Telephone: 1300-552-270
Facsimile: (07) 3237-2152

Stock Exchange Listing

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

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

Solicitors

DLA Phillips Fox
Level 29, Waterfront Place
1 Eagle Street
Brisbane Qld 4000

DIRECTORS' REPORT

HALF-YEAR TO 30 JUNE 2010

Your directors present their report for the half-year ended 30 June 2010.

DIRECTORS

The names of the company's directors in office during the half-year are set out below. All directors were in office for the entire period except where stated.

Mr. R E Keevers	Chairman and CEO	
Mr. R G Melgaard	Deputy Chairman	
Mr. R J H Mills	Non-executive director	
Mr. B L Kelly	Non-executive director	resigned 28 June 2010

Messrs Keevers, Melgaard and Mills remain in office as at the date of this report.

REVIEW OF OPERATIONS

Overview

Electrometals sales revenue continued to be subdued during the first half of 2010, for both Kurion and the parent company's EMEW® business, leading to an unsatisfactory consolidated loss for the period. While our level of enquiries for sales improved compared with the previous period, we continue to experience delays in our order intake, as our customers are required to operate in a subdued world economy.

Late in 2009 and during the first half of 2010, it became clear that the UK-based 49% shareholder and Managing Director of Kurion Technologies Limited had ambitions for the future direction of Kurion which were at odds with those of Electrometals. Consequently, Electrometals sold its interest in Kurion in July 2010 for a deferred consideration but received a full repayment of working capital loans previously advanced to Kurion.

During the half-year under review, the revenue figures in the financial statements represent revenues derived by the parent company Electrometals Technologies, and its Canadian subsidiary, Electrometals Canada.

A comparison of normal operating revenue for the electrowinning operations (Electrometals Technologies and Electrometals Canada) is tabled below:

Half-year to 30 June	2010 \$	2009 \$
Operating revenue	2,092,831	1,041,580
Operating loss	(983,754)	(1,370,067)

The order intake for the first half of 2010 was \$2,112,000, compared with \$742,000 for the first half of 2009.

Despite our poor results for the first half of the 2010 year, the parent company's EMEW® business showed some improvement, as illustrated above.

Activities

The principal activities during the period were:

- The manufacture and supply of an EMEW® plant to recover copper cathode in Mexico
- The engineering and manufacture of an EMEW® plant to recover tin cathode in the USA. This plant is due to be shipped during the third quarter, 2010.

In late August 2010, after the close of our half-yearly accounts, the company received an order to manufacture and supply a 50% expansion for this tin recovery plant. The value of this order is \$1,065,450.

In addition, the company's process technicians and engineers were engaged in process development for EMEW® and associated technologies, particularly ion exchange (IX) pre-treatment of metal-bearing solutions before supplying these as electrolytes for the production of pure metals using EMEW®. By working with technology partners for the supply of IX resins and IX processing equipment, Electrometals has made significant progress towards integrating these technologies for the benefit of our customers, and so create new plant sales opportunities. It had been our plan to develop the IX technology within Electrometals through Kurion Technologies; however, with the sale of our shares in Kurion, third party technology partners (including Kurion) will be engaged to supply this capability.

This process development work has involved a substantial amount of laboratory-scale test and demonstration work, as well as pilot testing in full-sized EMEW® cells.

In addition to the strict process development, improvements have been engineered and tested to:

- Reduce the cost of manufacture of EMEW® plants
- Enhance the performance of EMEW®, to extend its usable range and “sweet spot” for certain applications

While the details of some of these improvements are commercial in confidence at this time, already there are opportunities for their use in commercial EMEW® plants.

Some of the process development work and technology improvements have been specifically developed to allow the use of EMEW® and IX in DBOO (develop, build, own operate) applications which the company is pursuing. Progress to advance some projects to the development stage has been slower than anticipated, because of some unexpected delays. However, during the second quarter 2010, some of this work has been advanced again, such that the feasibility of one or two projects will be considered again in the second half of 2010. In particular, our emphasis is on the recovery of nickel and copper metal from industrial waste or recyclable industrial residue materials, much of which is either lost to landfill or recycled in a way which does not capture as much value as is possible using the EMEW process.

Legal issue with Molibdenos y Metales S.A. (“Molymet”)

On 12 August 2010, the company made the following release to the Australian Securities Exchange, to outline the current position:

AGREEMENT TO SUSPEND LEGAL PROCEEDINGS PENDING NEGOTIATIONS FOR SETTLEMENT

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 the supply in 2002 of an EMEW® plating and powder electrowinning plant to the Chilean company Molibdenos y Metales S.A. (“Molymet”). If the claim were to be successfully prosecuted by Molymet, then additional costs to Electrometals of interest and court costs may have resulted.

Since that time, the company has taken steps to defend the action and, in previous announcements and published company reports, has consistently expressed the view that, although there is some uncertainty, the outcome of this legal action should not be unfavourable to Electrometals, based upon our assessment of the legal position.

Recent developments in the case have involved the convening of a Court-ordered experts’ conclave, where experts from each side jointly considered various technical aspects, with a view to defining the matters of agreement and the matters of disagreement. This conclave was inconclusive and prompted Electrometals to request that Molymet provide additional information and records to better substantiate their claim and to allow the independent expert appointed by Electrometals to further assess the technical matters related to the claim and Electrometals’ defence. As it became increasingly likely that the matter would go to trial, Electrometals also requested that Molymet lodge security for costs with the Queensland Supreme Court.

The company can now advise that it has 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. A date has not been set for these discussions; however, due to other commitments by the participants, they are not expected to take place until late September, 2010. Both parties have undertaken to conduct the discussions in good faith, in a framework where there is good reason to believe that a settlement may be reached, but no guarantee of settlement can be expected until the discussions are concluded.

Events after balance sheet date

1. On 30 July 2010, Electrometals completed the sale of its 51% shareholding in the U.K. company Kurion Technologies
2. On 23 August 2010, the company announced the securing of a contract worth A\$1,065,450 for the sale of an EMEW® electrowinning plant.

R. E. KEEVERS
Chairman and CEO

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration from our auditors, Ernst & Young as attached in Page 7.

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



R E Keevers
Chairman

Dated: 31 August 2010

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

In relation to our review of the financial report of Electrometals Technologies Limited for the half-year ended 30 June 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 handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid'.

Mike Reid
Partner
Brisbane
31 August 2010

ELECTROMETALS TECHNOLOGIES LIMITED
ABN 25-000-751-093
Half-yearly financial report: 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 June 2010

	<i>Notes</i>	CONSOLIDATED	
		30 June 2010	30 June 2009
		\$	\$
Continuing operations			
Sale of plants and spare parts		1,997,286	807,461
Laboratory testing and engineering services		83,314	142,820
Royalties		(6,751)	85,338
Other revenue		18,982	5,961
		<hr/>	<hr/>
Revenue		2,092,831	1,041,580
Cost of sales		(1,495,658)	(1,065,026)
		<hr/>	<hr/>
Gross profit		597,173	(23,446)
Other income	4(a)	48,273	36,233
Marketing expenses		(70,174)	(31,199)
Occupancy expenses		(127,829)	(156,288)
Administrative expenses		(1,008,858)	(800,553)
Other expenses	4(b)	(414,162)	(391,280)
Finance costs		(8,165)	(3,534)
		<hr/>	<hr/>
Loss from continuing operations before income tax		(983,754)	(1,370,067)
Income tax benefit / (expense)		-	-
		<hr/>	<hr/>
Loss from continuing operations after income tax		(983,754)	(1,370,067)
Discontinued operations			
Loss from discontinued operations after income tax	6(b)	(459,523)	(229,809)
		<hr/>	<hr/>
Net loss for the period		(1,443,271)	(1,599,876)
Other comprehensive income			
Foreign currency translation		(93,260)	(16,649)
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		(93,260)	(16,649)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,536,531)	(1,616,525)

STATEMENT OF COMPREHENSIVE INCOME - continued

	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
Loss for the period is attributable to:		
Owners of the parent	(1,218,105)	(1,599,876)
Non-controlling interest	(225,166)	-
	<u>(1,443,271)</u>	<u>(1,599,876)</u>
Total comprehensive income for the period is attributable to:		
Owners of the parent	(1,311,368)	(1,616,525)
Non-controlling interest	(225,166)	-
	<u>(1,536,534)</u>	<u>(1,616,525)</u>
Earnings per share (cents) for profit from continuing operations attributable to the ordinary equity holders of the parent		
Basic earnings / (loss) per share (cents)	(0.48)	(0.67)
Diluted earnings / (loss) per share (cents)	(0.48)	(0.67)
Earnings per share (cents) attributable to the ordinary equity holders of the parent		
Basic earnings / (loss) per share (cents)	(0.71)	(0.79)
Diluted earnings / (loss) per share (cents)	(0.71)	(0.79)

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

ELECTROMETALS TECHNOLOGIES LIMITED
ABN 25-000-751-093
Half-yearly financial report: 30 June 2010

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	CONSOLIDATED	
		30 June 2010 \$	31 December 2009 \$
CURRENT ASSETS			
Cash and cash equivalents	5	1,425,221	2,362,720
Trade and other receivables		707,591	1,525,179
Inventories		477,430	487,044
Prepayments		74,919	411,620
Assets of a disposal group classified as held for sale	6(c)	1,217,531	-
TOTAL CURRENT ASSETS		3,902,692	4,786,563
NON-CURRENT ASSETS			
Receivables		26,909	26,909
Investment in associates		-	90
Property, plant & equipment		994,610	1,091,438
Goodwill and other intangible assets	7	9,642	1,615,721
TOTAL NON-CURRENT ASSETS		1,031,161	2,734,158
TOTAL ASSETS		4,933,853	7,520,721
CURRENT LIABILITIES			
Trade and other payables		575,406	1,351,451
Interest-bearing liabilities		-	23,549
Deferred income		31,900	357,641
Provisions		189,006	145,016
Liabilities directly associated with assets classified as held for sale	6(c)	969,761	-
TOTAL CURRENT LIABILITIES		1,766,073	1,877,657
NON-CURRENT LIABILITIES			
Provisions		61,372	47,214
Accrual for future buy-out of minority interest		-	960,000
TOTAL NON-CURRENT LIABILITIES		61,372	1,007,214
TOTAL LIABILITIES		1,827,445	2,884,871
NET ASSETS		3,106,408	4,635,850
EQUITY			
Contributed equity	8	33,320,788	33,320,788
Accumulated losses		(29,933,686)	(28,715,581)
Reserves		(55,528)	30,643
Parent interests		3,331,574	4,635,850
Non-controlling interests		(225,166)	-
TOTAL EQUITY		3,106,408	4,635,850

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

ELECTROMETALS TECHNOLOGIES LIMITED
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STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

	<u>Ordinary shares</u>	<u>Preference shares</u>	<u>Foreign currency reserve</u>	<u>Equity benefits reserve</u>	<u>Minority 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	(145,830)	(28,715,581)	4,635,850	-	4,635,850
Profit / (loss) for the period	-	-	-	-	-	(1,218,105)	(1,218,105)	(225,166)	(1,443,271)
Other comprehensive income	-	-	(93,260)	-	-	-	(93,260)	-	(93,260)
Total comprehensive income for the period	-	-	(93,260)	-	-	(1,218,105)	(1,311,365)	(225,166)	(1,536,531)
Transactions with owners in their capacity as owners									
Share-based payments	-	-	-	7,089	-	-	7,089	-	7,089
At 30 June 2010	33,187,455	133,333	(76,120)	166,422	(145,830)	(29,933,686)	3,331,574	(225,166)	3,106,408

CONSOLIDATED – 2009

	<u>Ordinary shares</u>	<u>Preference shares</u>	<u>Foreign currency reserve</u>	<u>Equity benefits reserve</u>	<u>Minority 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	(154,379)	(27,124,039)	6,222,293	-	6,222,293
Loss related to minority reserve included in opening accumulated losses	-	-	-	-	(136,853)	136,853	-	-	-
Profit / (loss) for the period	-	-	-	-	(112,606)	(1,487,270)	(1,599,876)	-	(1,599,876)
Other comprehensive income	-	-	(16,649)	-	-	-	(16,649)	-	(16,649)
Total comprehensive income for the period	-	-	(16,649)	-	(249,459)	(1,350,417)	(1,616,525)	-	(1,616,525)
Transactions with owners in their capacity as owners									
Share-based payments	-	-	-	(14,225)	-	-	(14,225)	-	(14,225)
At 30 June 2009	33,187,455	133,333	(1,223)	150,272	(403,838)	(28,474,456)	4,591,543	-	4,591,543

* The minority reserve represents negative minority interest attributed to the parent.

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

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CASH FLOW STATEMENT

For the half-year ended 30 June 2010

	Note	CONSOLIDATED	
		30 June 2010 \$	30 June 2009 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,789,027	2,383,596
Payments to suppliers and employees (inclusive of GST)		(4,589,430)	(3,197,366)
Net cash flows used in operating activities		(800,403)	(813,770)
Cash flows from investing activities			
Purchase of property, plant and equipment		(86,315)	(152,127)
Interest received		32,074	35,209
Net cash flows used in investing activities		(54,241)	(116,918)
Cash flows from financing activities			
Increase in loans		(112,623)	-
Repayment of borrowings		(20,392)	(22,009)
Interest paid		(3,092)	-
Net cash flows used in financing activities		(136,107)	(22,009)
Net decrease in cash and cash equivalents		(990,751)	(952,697)
Cash and cash equivalents at the beginning of the period		2,362,720	2,998,002
Exchange rate adjustments		93,488	13,197
Cash and cash equivalents at the end of the period	5	1,465,457	2,058,502

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

For the half-year ended 30 June 2010

1. CORPORATE INFORMATION

The condensed financial report of Electrometals Technologies Limited ("the company") for the half-year ended 30 June 2010 was authorised for issue in accordance with a resolution of directors on 30 August 2010. Electrometals Technologies Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the group are described in note 3.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed general purpose financial report for the half-year ended 30 June 2010 has been prepared in accordance with AASB 134 *Interim Condensed Reporting* and the *Corporations Act 2001*. The half-year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full annual report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2009 and considered together with any public announcements made by Electrometals during the half-year ended 30 June 2010 in accordance with the continuous disclosure obligations of the Australian Securities Exchange listing rules. Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The consolidated entity has a net loss for the period of \$1,443,271 (year ended 31 December 2009 -\$1,582,993) and cash outflows from operating activities of \$800,403 (year ended 31 December 2009 - \$493,486) for the six months period ended 30 June 2010. The ability of the consolidated entity to continue as going concern is dependent upon its ability to:

- generate future sales to enable the consolidated entity to generate operating profit and positive cash flows: and,
- obtain additional funds as may be required in future.

Should the entity not generate cash from operations or raise funds from investors in sufficient amounts, it may not be able to continue as a going concern and to pay its debts as and when they fall due.

The directors are actively seeking new contracts for sale of EMEW technology. The directors believe that there are reasonable grounds to believe that as such the company will be able to achieve sufficient sales and related cash inflows, and to reduce operating expenditures where necessary to enable them to maintain sufficient cash balances. This belief is based on the entity's history of sales, its proven technology, and its relationships with significant mining companies across the globe.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as going concern.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Electrometals Technologies Limited and its subsidiaries as at 30 June 2010 ("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 and transactions, income and expenses and profits 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. The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see note (b)).

(b) Changes in accounting policy

- (i) Since 1 January 2010, the group has adopted the following new and amended Australian Accounting Standards. Adoption of these Standards and did not have any effect on the financial position or performance of the group.

AASB 2009-7 *Amendments to Australian Accounting Standards* effective 1 July 2009

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based payment transactions* effective 1 January 2010

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

The group has not identified any operating segments based on the internal reports that are received and used by the executive directors (the chief operating decision-makers) in assessing performance and in determining the allocation of resources. Refer to note 6 for discontinued operation.

4. REVENUE, INCOME AND EXPENSES

	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
(a) Other Revenue		
Interest	46,302	36,233
Foreign exchange gain	1,971	-
	<u>48,273</u>	<u>36,233</u>
(b) Other Expenses		
Options grant expense	7,088	(14,225)
Doubtful debts provision	-	94,102
Research and development written off	31,604	10,071
Test programs and other expenses written off	360,361	301,332
Impairment loss on goodwill	15,109	-
	<u>414,162</u>	<u>391,280</u>

5. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	30 June 2010	31 Dec 2009
	\$	\$
Cash at bank and in hand	25,221	60,891
Short-term deposits	1,400,000	2,301,829
	<u>1,425,221</u>	<u>2,362,720</u>
Cash at bank and on hand attributable to operations held for sale	40,236	-
	<u>1,465,457</u>	<u>2,362,720</u>

6. DISCONTINUED OPERATIONS

(a) Details of operations held for sale.

As at the reporting date, the board of directors were in final discussions with a view to selling the company's investment in Kurion Technologies Limited, and this sale was completed subsequent to the reporting date, on 30 July 2010, at which date control of the business passed to the acquirer. Therefore, the investment in Kurion Technologies has been classed as an asset for sale.

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

(b) Financial performance of operations held for sale.

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

	30 June 2010	30 June 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	(459,523)	(229,809)

(c) Assets and liabilities of operations held for sale.

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

	30 June 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
Goodwill	529,696
Assets classified as held for sale	1,217,531
Liabilities	
Trade and other payables (including \$390,551 loan from parent)	(1,360,312)
Less: loan from parent eliminated on consolidation	390,551
Total liabilities	(969,761)
Net assets of the disposal group on consolidation	247,770

(d) Cash flow information: operations held for sale.

	30 June 2010	30 June 2009
	\$	\$
The net cash flows of Kurion Technologies Limited are as follows:		
Operating activities	54,743	494,637
Investing activities	(26,203)	(8,717)
Financing activities	5,102	(189,453)
Net cash flow	33,642	296,467

7. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	30 June 2010	31 Dec 2009
	\$	\$
Development costs – automated harvester	110,854	110,854
Goodwill on acquisition of subsidiaries	1,235,807	2,195,807
Patents	10,776	10,776
Less: Provision for impairment	(818,099)	(701,716)
Less: transfer to assets of a disposal group classified as held for sale	(529,696)	-
	9,642	1,615,721

The impairment in relation to development costs for the automated harvester has been implemented as it is not certain at this stage that future economic benefits will flow to the group.

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NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

8. ISSUED CAPITAL

	30 June 2010	31 Dec 2009
	\$	\$
Ordinary shares - Issued and fully paid	33,187,455	33,187,455
Preference shares - Issued and fully paid	133,333	133,333
	<u>33,320,788</u>	<u>33,320,788</u>
	<u>Number</u>	<u>Number</u>
Balance - ordinary shares	204,357,579	204,357,579
Balance - preference shares	666,667	666,667
	<u>205,024,246</u>	<u>205,024,246</u>
	Number	\$
Movement in shares on issue – ordinary shares		
There was no movement in share capital in the half-year.		
Balance 31 December 2009 and 30 June 2010	<u>204,357,579</u>	<u>33,187,455</u>

9. DIVIDENDS PAID AND PROPOSED

No dividends have been paid in the 6 months to 30 June 2010 (2009: nil) and none is proposed.

10. COMMITMENTS AND CONTINGENCIES

	30 June 2010	31 Dec 2009
	\$	\$
(a) Operating lease commitments		
Payable as follows:		
Not later than one year	152,968	230,150
Later than one year but not later than five years	18,273	44,543
	<u>171,241</u>	<u>274,693</u>

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

(b) Legal action

On 13 August 2007, the company announced to the Australian Securities Exchange that it has 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"). While Electrometals intends to vigorously defend the action and believes it will be successful; the potential financial exposure cannot be assessed at the date of this report. On 12 August 2010, the company announced that Molymet has requested a "without prejudice" meeting to try to resolve the matter via direct negotiation. Due to other commitments by the participants, it is likely this meeting will be held in later September or early October 2010.

11. EVENTS AFTER BALANCE SHEET DATE

- On 30 July 2010, Electrometals completed the sale of its 51% shareholding in the U.K. company Kurion Technologies
- On 12 August 2010, as set out in the preceding note 10(b), the company announced that discussions will be held with a view to resolving the longrunning legal case brought by Molibdenos y Metales ("Molymet").
- On 23 August 2010, the company announced the securing of a contract worth A\$1,065,450 for the sale of an EMEW® electrowinning plant.

At the date of this report the directors are not aware of any other matters or circumstances which have arisen since 30 June 2010 that have significantly affected or may significantly affect:

- the operations of the group in the financial years subsequent to 30 June 2010, or
- the results of those operations, or
- the state of affairs of the group in the financial years subsequent to 30 June 2010.

DIRECTORS' DECLARATION

In accordance with a resolution of directors of Electrometals Technologies Limited, I state that;

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2010 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



R E Keevers
Chairman & CEO

Gold Coast
31 August 2010

To the members of Electrometals Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Electrometals Technologies Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a basis of preparation and accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Electrometals Technologies Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Mike Reid
Partner
Brisbane
31 August 2010