Appendix 4D

Nanosonics Limited
Half Yearly Report
As at 31 December 2011

Results for announcement to the market

		Movement		$'000
Revenue	up	166%	to	5,365
Loss from ordinary activities after tax attributable to members	down	33%	to	(3,011)
Net loss for the period attributable to members	down	33%	to	(3,011)
Basic loss per share (cents)	down	35%	to	1.31
Dividend (cents)		-		-
Net tangible assets per share at 31 December 2011 (cents)	down	-42%	to	4.92
Net tangible assets per share at 31 December 2010 (cents)				8.42

Dividends	Amount per security	Franked amount per security
Interim dividend per share (cents)	-	-
Previous corresponding period (cents)	-	-

Record date for determining entitlements to the dividend - N/A

Dividend payment date - N/A

There were no distributions of dividends during the period.
No dividend reinvestment plans were in operation during or since the half-year.
There were no entities over which control has been gained or lost during the period.
The Group has no associates or joint venture entities.
The Group applies International Accounting Standards in compiling the financial report of its wholly-owned foreign entities Nanosonics Europe GmbH and Nanosonics Incorporated.
The financial statements included in the half year report are not subject to audit dispute or qualification.
The information set out above and in the attached half year report is provided to ASX in accordance with a resolution of the Directors.

HALF-YEAR REPORT
DECEMBER FY12

Directors' Report

For the half-year ended 31 December 2011

Your directors present their report, together with the consolidated interim financial report for Nanosonics Limited (the Company) and its controlled entities (together the Group) for the half-year ended 31 December 2011, and the Auditor's review report thereon.

Directors and Committees of the Board

During the half-year and to the date of this report, the Board and Committees of the Board of Nanosonics Limited comprised the following members:

Board of Directors Nanosonics Limited	Maurie Stang, Non-Executive Chairman Ron Weinberger, Executive Director, CEO David Fisher, Non-Executive Director Richard England, Non-Executive Director
Audit and risk management committee	Richard England, Chairman Maurie Stang David Fisher
Governance and nomination committee	Richard England, Chairman Maurie Stang David Fisher
Remuneration committee	Richard England, Chairman Maurie Stang David Fisher

Review of Operations and Results

	31 December 2011 **$'000**	31 December 2010 $'000
Revenue from sale of goods	**5,081**	1,371
Cost of sales	**1,938**	494
Gross profit	**3,143**	877
Other income	**284**	646
Total Operating expenses	**(6,438)**	(6,046)
Loss for the period	**(3,011)**	(4,523)

	31 December 2011 **$'000**	30 June 2011 $'000
Cash and cash equivalents	**9,169**	12,356
Net Assets	**11,538**	14,306

Sales revenue for the half year was $5.08 million representing an increase of 271% as more Trophon EPR units including consumables and accessories are sold with the growing network of distributors. Other income representing interest earned on cash investments decreased to $0.284 million due to the decrease in cash and cash equivalents available for investment. Operating expenditure increased by $0.39 million on the previous corresponding period driven by a higher employment base and costs related to business growth. R&D expenditure is written off as incurred.

Consolidated loss after tax for the half year was $3.01 million, a decrease of 33% on the previous corresponding half-year largely due to increased sales and production over the period.

The Group ended the half year with $9.17 million of cash and cash equivalents.

Subsequent Events

There are no events subsequent to 31 December 2011 that significantly affect the interim consolidated financial statements or require disclosure.

There are no matters or circumstances that have arisen since 31 December 2011 that has significantly affected, or may significantly affect:

a) the Group's operations in the current of future financial years;
b) the results of those operations in the current of future financial years; or
c) the Group's state of affairs in the current or future financial years.

Rounding of amounts

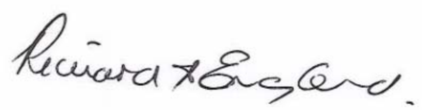
The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This Report is made and signed in accordance with a resolution of the Directors made pursuant to section 306(3)(a)of the *Corporations Act 2001.*

On behalf of the Directors



Richard England
Director
Sydney, 15th February 2012

UHY Haines Norton
Chartered Accountants

Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001

To the Directors of Nanosonics Limited

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2011 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) No contraventions of any applicable code of professional conduct in relation to the review.

Franco Giannuzzi
Partner
Sydney
Date: 15 February 2012

UHY Haines Norton
Chartered Accountants

Directors' Declaration

In the opinion of the Directors of Nanosonics Limited:

1. The interim financial statements and notes set out on pages 11 to 15 are in accordance with the *Corporations Act 2001*, including:
    a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and
    b. complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that Nanosonics Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors

Richard England
Director
Sydney, 15th February 2012

Nanosonics Limited
Interim consolidated statement of comprehensive income
For the half-year ended 31 December 2011

	Notes	**31 December 2011 $'000**	31 December 2010 $'000
Continuing operations			
Sale of goods	4	**5,081**	1,371
Cost of sales		**1,938**	494
Gross profit		**3,143**	877
Other income			
Interest income	4	**284**	646
Total operating income		**3,427**	1,523
Operating expenses			
Staffing costs		**3,654**	2,994
Intellectual property		**151**	139
Quality & regulatory management		**73**	96
Business development		**301**	270
Premises plant & equipment		**717**	697
External consultants & advisors		**645**	854
Other operating costs		**897**	996
Total Operating expenses	4	**(6,438)**	(6,046)
Operating (loss) before income tax expense		**(3,011)**	(4,523)
Income tax expense	**5**	**-**	-
Net loss after income tax expense is attributable to:			
Owners of the parent entity		**(3,011)**	(4,523)
Other comprehensive income			
Foreign currency translation reserve		**(41)**	(21)
Income tax on items of other comprehensive income		**-**	-
Other comprehensive for the period, net of tax		**(41)**	(21)
Total comprehensive income (loss) for the period is attributable to:			
Owners of the parent entity		**(3,052)**	(4,544)
(Loss) per share for losses attributable to ordinary shareholders of the Company:		**Cents**	Cents
Basic (loss) per share	**6**	**(1.31)**	(2.00)
Diluted (loss) per share	**6**	**(1.31)**	(2.00)

The accompanying notes form part of these financial statements.

Nanosonics Limited
Interim consolidated statement of financial position
As at 31 December 2011 and 30 June 2011

	Notes	**31 December 2011 $'000**	30 June 2011 $'000
Current assets			
Cash and cash equivalents		**9,169**	12,356
Trade and other receivables		**1,357**	933
Inventories		**1,735**	1,610
Other current		**371**	212
Total current assets		**12,632**	15,111
Non-current assets			
Property, plant and equipment		**1,456**	1,522
Intangible assets		**97**	117
Other		**117**	98
Total non-current assets		**1,670**	1,737
Total assets		**14,302**	16,848
Current liabilities			
Payables		**1,894**	1,757
Provisions		**831**	785
Borrowings		**6**	-
Total current liabilities		**2,731**	2,542
Noncurrent liabilities			
Borrowings		**33**	-
Total-noncurrent liabilities		**33**	-
Total liabilities		**2,764**	2,542
Net assets		**11,538**	14,306
Equity			
Equity attributable to equity holders of the parent			
Contributed equity	**7**	**58,160**	58,138
Reserves		**1,379**	1,158
Accumulated losses		**(48,001)**	(44,990)
Total equity		**11,538**	14,306

The accompanying notes form part of these financial statements.

Nanosonics Limited
Interim consolidated statement of changes in equity
For the half-year ended 31 December 2011

	Contributed Equity	Share-based payments reserve	Foreign currency translation reserve	Accumulated losses (Note 7)	Total equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2010	**56,627**	**848**	**8**	**(33,901)**	**23,582**
Loss for the period	-	-	-	(4,523)	**(4,523)**
Other comprehensive income	-	-	(21)	-	**(21)**
Total comprehensive income (loss)	**-**	**-**	**(21)**	**(4,523)**	**4,544**
Transaction with owners in their capacity as owners					
Share-based payments	467	1	-	125	**593**
At 31 December 2010	**57,094**	**849**	**(13)**	**(38,299)**	**19,631**
Loss for the period	-	-	-	(6,691)	**(6,691)**
Other comprehensive income	-	-	(1)	-	**(1)**
Total comprehensive income (loss)	**-**	**-**	**(1)**	**(6,691)**	**(6,692)**
Transaction with owners in their capacity as owners					
Issue of shares	115	-	-	-	**115**
Share-based payments	929	323	-	-	**1,252**
At 30 June 2011	**58,138**	**1,172**	**(14)**	**(44,990)**	**14,306**
Loss for the period	-	-	-	(3,011)	**(3,011)**
Other comprehensive income	-	-	(41)	-	**(41)**
Total comprehensive income (loss)	**-**	**-**	**(41)**	**(3,011)**	**(3,052)**
Transaction with owners in their capacity as owners					
Share-based payments	22	262	-	-	**284**
At 31 December 2011	**58,160**	**1,434**	**(55)**	**(48,001)**	**11,538**

The accompanying notes form part of these financial statements.

Nanosonics Limited
Interim consolidated statement of cash flows
For the half-year ended 31 December 2011

	Notes	31 December 2011 $'000	31 December 2010 $'000
Cash flows from operating activities			
Receipts from customers		**4,854**	1,015
Payments to suppliers and employees		**(8,046)**	(6,206)
Interest received		**354**	616
Net cash used in operating activities		**(2,838)**	(4,575)
Cash flows from investing activities			
Purchase of assets		**(363)**	(708)
Net cash used in investing activities		**(363)**	(708)
Cash flows from financing activities			
Proceeds from issue of shares and options		**22**	466
Proceeds from borrowings		**33**	-
Net cash from financing activities		**55**	466
Net increase (decrease) in cash held		**(3,146)**	(4,817)
Cash and cash equivalents at the beginning of the financial half-year		**12,356**	21,144
Effects of exchange rate changes on cash and cash equivalents		**(41)**	(21)
Cash and cash equivalents at the end of the financial half-year		**9,169**	16,306

The accompanying notes form part of the financial statements.

Nanosonics Limited
Notes to the interim consolidated financial statements
For the half-year ended 31 December 2011

1. Reporting information

Nanosonics Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia. The interim consolidated financial report of the Company as at and for the six months ended 31 December 2011 comprises the consolidated entity consisting of Nanosonics Limited and its subsidiaries (the Group). The interim financial report is presented in the Australian currency.

The audited annual financial report for the Company as at and for the year ended 30 June 2011 is available upon request from the Company's registered office and principal place of business at:

Unit 24, 566 Gardeners Road
Alexandria, NSW 2015, Australia

or from the Investor Centre section of the Company's website: www.nanosonics.com.au

Copies of the Company's public announcements made during the half year and to the date of this report are also available from the Investor Centre section of the Company's website.

2. Basis of preparation of half-year report and statement of compliance

The interim consolidated financial report for the reporting period ended 31 December 2011 is a general purpose financial report prepared in accordance with AASB134 Interim Financial Reporting (IAS34 Interim Financial Reporting) and the *Corporations Act 2001*.

The interim consolidated financial report does not include all of the information for a full annual report. Accordingly, this report should be read in conjunction with the Annual Financial Report for the Group as at and for the year ended 30 June 2011, together with the public announcements made by the Company during the half year and to the date of this report in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report was authorised for issue by the Directors on 15th February 2012.

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial report are the same as those applied by the Group in the Annual Financial Report as at and for the year ended 30 June 2011, with the exception of the amended standards noted below.

- *AASB 124 Related Party Transactions (Amendment)*
- *AASB 132 Financial Instruments: Presentation(Amendment)*
- *AASB 1054 Australian Additional Disclosures*
- *AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*
- *AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity*
- *Improvements to AASB issued May 2010*

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no affect on the amounts reported for the current or prior periods.

The Group has not elected to early adopt any new Standards or amendments that are issued but not yet effective.

4. Loss for the half-year before income tax

The loss for the half-year from ordinary activities before income tax includes:

	Notes	Consolidated December 2011	December 2010
		$'000	**$'000**
(a) Revenue			
Sales		**5,081**	1,371
Interest income		**284**	646
(b) Expenses			
Depreciation		**468**	426
Research and development		**1,484**	1,522
Share options expense		**262**	126

5. Taxation

		December 2011	December 2010
(a) Income tax expense			
Loss from ordinary activities		**(3,011)**	(4,523)
The prima facie income tax benefit applicable to the operating profit (loss) is calculated at 30% (2010:30%)		**903**	1,357
Tax effect of amounts not deductible in calculating taxable income		**(297)**	(86)
Future income tax benefit not booked		**(606)**	(1,271)
Income tax attributable to operating loss		-	-

(b) Deferred tax assets

Deferred tax assets not taken to account

The potential deferred tax assets in the parent entity, which is a company, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond reasonable doubt.

6. Earnings / (loss) per share

	Consolidated	
	December 2011	December 2010
	Cents	Cents
(a) Basic earnings (loss) per share		
Loss attributable to ordinary shareholders of the Company	**(1.31)**	(2.00)
(b) Diluted earnings (loss) per share		
Loss attributable to ordinary shareholders of the Company	**(1.31)**	(2.00)
(c) Earnings (losses) used in calculating earnings (loss) per share		
	$’000	$’000
Net loss after income tax expense attributable to shareholders	**(3,011)**	(4,523)
(d) Weighted average number of shares used		
	Number of shares	Number of shares
For basic and diluted earnings per share	**230,500,987**	226,737,508

(e) Information concerning options granted

Options granted under the Nanosonics Employee Share Option Plan and the Nanosonics General Share Option Plan are considered to be potential ordinary shares and have been excluded from the calculation of diluted earnings (loss) per share as the effect would have been anti-dilutive.

7. Contributed equity

	Consolidated	
	December 2011	30 June 2011
	$’000	$’000
(a) Ordinary shares:		
Issued and fully paid	**58,160**	58,138

(b) Movements in ordinary shares on issue	**Number of shares**	**$’000**
At 1 July 2011	**230,490,585**	58,138
Exercise of share options – 37,950 GSOP options at $0.345 per share	37,950	13
Exercise of share options – 24,750 ESOP options at $0.345 per share	24,750	9
At 31 December 2011	**230,553,285**	**58,160**

8. Dividends

No dividends were proposed, declared or paid during the financial interim and to the date of this report (2010: Nil).

9. Share-based payments

On 21 November 2011, the company issued 195,000 share options under the general stock option plan (GSOP). The exercise price of the option is 53.20c and the assessed fair value of the options at grant date is 38.12c. The assessed fair value on the date these options were granted were independently determined using a Black-Scholes option pricing model taking into account the following:

Exercise price	53.20c
Expiry date	21/11/2015
Price of underlying shares at measurement date	63.00c
Expected volatility %	73.09%
Risk free interest rate %	3.435%
Expected dividend yield %	0%

9. Controlled Entities

Particulars of controlled entities are:

Name of controlled entity	Country of incorporation	Class of shares	Equity holding 31 December 2011	Equity holding 30 June 2011
Nanosonics Europe GmbH	Germany	Ordinary	100%	100%
Saban Ventures Pty Limited	Australia	Ordinary	100%	100%
Nanosonics Inc.	USA	Ordinary	100%	100%

10. Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Group operates in a single operating segment, being the healthcare equipment segment.

11. Contingent Liabilities

Government Grants received

The Company received two Federal Government grants in respect of specified development projects and in terms of which payments of grant income have been included in the Company's operating income. Certain details of the grants are shown below.

	Project completion date	Interest rates applicable to repayments	Total grant income received $'000
R&D Start Grant	31 December 2006	5.395%	$1,880
Commercial Ready Grant	30 September 2007	5.665%	$3,191

If certain circumstances occur, relating mainly to cessation by the Company of the activities subject to a grant and/or loss to the Commonwealth of Australia of intellectual property so created within a period of five years after completion of the project, the government may recover some or all of the payments made under the grant, plus interest.

The Directors consider that none of the circumstances required for grant income to be refundable has occurred to the date of this report or is foreseeable. However, due to uncertainty inherent in the activities subject to the grants, the amounts stated above, together with applicable interest, represent contingent liabilities as at 31 December 2011.

12. Events occurring after the Balance Date

There are no events subsequent to 31 December 2011 that significantly affect the interim consolidated financial statements or require disclosure.

There are no matters or circumstances that have arisen since 31 December 2011 that has significantly affected, or may significantly affect:

d) the Group's operations in the current of future financial years;
e) the results of those operations in the current of future financial years; or
f) the Group's state of affairs in the current or future financial years.

UHY Haines Norton
Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nanosonics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Nanosonics Limited, which comprises the interim consolidated statement of financial position as at 31 December 2011, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nanosonics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nanosonics Limited, would be in the same terms if given to the directors as at the time of this auditor's 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 Nanosonics Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

Franco Giannuzzi
Partner
Sydney
Dated: 15 February 2012

UHY Haines Norton
Chartered Accountants

Corporate Directory and Information for Investors

Nanosonics Limited ACN 11 095 076 896 Incorporated 14 November 2000

Directors
Maurie Stang (Chairman)
Ron Weinberger (CEO)
David Fisher
Richard England

Secretary
McGregor Grant
Robert Waring

Registered Office
Unit 24, 566 Gardeners Road
Alexandria NSW 2015 Australia
Ph: +61 2 8063 1600

European Office
Nanosonics Europe GmbH
Falkenried 88. House A
D-20251 Hamburg Germany
Ph: +49 40 298 67308

Share Register
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000 Australia
GPO Box D182
Perth WA 6840 Australia
Ph: +61 8 9323 2000
Ph: 1300 557 010 (within Australia)
Fax: +61 8 9323 2033
www-au.computershare.com

Investor Relations
Computershare Investor Services Pty Ltd
Ph: +61 8 9323 2000
Ph: 1300 557 010 (within Australia)

Ron Weinberger - CEO
Ph: +61 2 8063 1600
Email: info@nanosonics.com.au

Auditor
UHY Haines Norton
Level 11, 1 York Street
Sydney NSW 2000 Australia

Legal Advisors
Shelston IP
Level 21, 60 Margaret Street
Sydney NSW 2000 Australia

Spruson & Ferguson
Level 35, St Martins Tower,
31 Market Street
Sydney NSW 2000 Australia

DibbsBarker
Level 8 Angel Place
123 Pitt Street
Sydney NSW 2000 Australia

Bankers
ANZ Banking Group Limited
Level 1, 20 Martin Place
Sydney NSW 2000 Australia

National Australia Bank Limited
Level 36, 100 Miller Street
North Sydney NSW 2060 Australia

Deutsche Bank AG
Eppendorfer Landstrasse 70
Hamburg 20249 Germany

Stock Exchange Listing
Nanosonics Limited shares are listed on the Australian Securities Exchange Limited (ASX)
ASX code: NAN
Industry Group: Healthcare Equipment & Services

Website Address
www.nanosonics.com.au

Nanosonics Limited ABN 11095076896
Unit 24, 566 Gardeners Road, Alexandria NSW 2015 P: +61 2 9313 4399 F: +61 2 9317 5010 W: www.nanosonics.com.au