Appendix 4D
Half Year Report
Six months ending 31 December 2011

Fluorotechnics Limited
ABN 27 099 098 192

Date: 29 February 2012

Results for announcement to the market

Financial Results	December 2011 $	December 2010 $	Change $
Revenue from Ordinary Activities	318,894	1,323,701	(1,004,807)
% Change			-76%
(Loss) from ordinary activities after tax attributable to members	(96,833)	(1,548,185)	1,451,352
% Change			-94%
Net profit (loss) for the year attributable to members	(96,833)	(1,548,185)	1,451,352
% Change			-94%

Dividends	Amount per Ordinary	Franked amount per
2010 interim dividend	Nil	Nil
2011 interim dividend	Nil	Nil

Record date for determining entitlements to the 2011 interim dividend	Not applicable

Net Tangible Asset Backing	December 2011	December 2010
Net tangible asset backing per ordinary security	-$0.026	-$0.015

Entities over which control has been lost during the period:

Refer note 4 to the financial report.

FLUOROTECHNICS LIMITED

(ABN 27 099 098 192)

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Corporate Directory

Directors

Richard Trevillion (Chairman & Managing Director)
Brian Damian Pethica (Executive Director)
Rick Taylor (Executive Director)

Secretary

Ian Gilmour

Registered Office

Unit 3, 43- 51 College Street
Gladesville NSW 2111

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Website:	www.fluorotechnics.com

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Telephone: 1300 737 760
Facsimile: 1300 653 459
Email:enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Auditor

HLB Mann Judd (NSW Partnership)
Level 19, 207 Kent Street
SYDNEY NSW 2000

ASX Code

FLS - fully paid ordinary shares

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DIRECTORS' REPORT

Your directors present their report for the half-year ended 31 December 2011.

DIRECTORS

The names of the directors in office during the half-year and until the date of this report are as below.

Directors were in office for this entire period unless otherwise stated.

- Mr Richard Trevillion – Chairman & Managing Director
- Dr Brian Damian Pethica
- Mr Rick Taylor

REVIEW AND RESULTS OF OPERATIONS

This overview covers the half-year to 31 December 2011 and significant matters that have occurred through to the date of this report.

During this period the revenue decreased by $0.51 million from $0.59 million to $0.08 million. The loss from continuing operations for the period increased by $0.04 million, from $0.60 million to $0.64 million.

Overview

The Board has indicated in a series of announcements from 20th December 2010 that the company's focus has changed to that of a strategic acquisition.

As a consequence of this new direction and for general working capital purposes generally, in August 2011 the company raised $615,000 by way of a convertible note issue.

On 13 February 2012, Fluorotechnics Limited announced it had entered into an option arrangement such that, subject to regulatory approval, confirmatory due diligence, financing and shareholder approval, Fluorotechnics has the right to acquire the businesses of Lamboo Resources Pty Ltd and Mckintosh Resources Pty Ltd with highly prospective base and precious metals exploration assets located in Valla (NSW), Halls Creek (WA) and McIntosh (WA). If the option is exercised, subject to the required due diligence, approvals, and financing, the acquisition price would be $3.5 million to be paid in equity. The option will expire in 6 months if not exercised. A Prospectus giving full information will follow assuming satisfactory due diligence.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the independence declaration from our auditors HLB Mann Judd, a copy of which is included on page 16 of this financial report.

Signed in accordance with a resolution of directors.

Richard Trevillion
Chairman

29 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2011

	Note	Consolidated December 2011 $	Consolidated December 2010 $
Revenue from Continuing Operations			
Sales of goods		23,428	584,002
Royalties and licences		679	1,346
Grant revenue		48,443	-
Finance revenue		5,204	2,997
		77,754	588,345
Expenses from Continuing Operations			
Cost of goods sold		-	388,410
Research and development		-	50,418
Intellectual property		-	35,517
Marketing and business development		-	189,033
Corporate and administration		714,998	506,661
Finance costs		-	15,984
Loss before income tax		(637,244)	(597,678)
Income tax benefit		-	-
Loss from continuing operations after income tax		(637,244)	(597,678)
Profit/(loss) from Discontinued Operations	4	540,411	(950,507)
Loss for the year		(96,833)	(1,548,185)
Other Comprehensive Income			
Exchange differences on translation of foreign operations		-	152,364
Total comprehensive loss for the period		(96,833)	(1,395,821)
Earnings per Share			
Basic loss from continuing operations per share (cents)		(1.2)	(1.3)
Diluted loss from continuing operations per share (cents)		(1.2)	(1.2)
Basic loss per share (cents)		(0.2)	(3.3)
Diluted loss per share (cents)		(0.2)	(3.1)
Dividends per share(cents)		-	-

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	Consolidated December 2011 $	Consolidated June 2011 $
ASSETS			
Current Assets			
Cash and cash equivalents		351,631	191,639
Trade and other receivables		78,494	83,796
Total Current Assets		**430,125**	**275,435**
Non-Current Assets			
Other assets		29,865	30,468
Total Non-current Assets		**29,865**	**30,468**
TOTAL ASSETS		**459,990**	**305,903**
LIABILITIES			
Current Liabilities			
Trade and other payables		598,241	550,171
Borrowings	7	1,289,185	722,628
Employee entitlements		-	17,876
Total Current Liabilities		**1,887,426**	**1,290,675**
TOTAL LIABILITIES		**1,887,426**	**1,290,675**
NET ASSETS (DEFICIENCY)		**(1,427,436)**	**(984,772)**
EQUITY			
Contributed equity	8	18,796,705	18,796,705
Reserves		-	469,131
Accumulated losses		(20,224,141)	(20,250,608)
TOTAL EQUITY (DEFICIENCY)		**(1,427,436)**	**(984,772)**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2011

	Contributed equity	Foreign currency translation reserve	Share based payments reserve	Accumulated losses	Total equity
	$	$	$	$	$
Balance at 1 July 2010	18,591,605	(310,800)	331,402	(17,915,476)	696,731
Total comprehensive loss for the period	-	152,364	-	(1,548,185)	(1,395,821)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	210,000	-	-	-	210,000
Share options expensed	-	-	5,516	-	5,516
Cancellation of share options debited to profit or loss in prior years for options not vested	-	-	(140,907)	-	(140,907)
Balance at 31 December 2010	18,801,605	(158,436)	196,011	(19,463,661)	(624,481)
Balance at 1 July 2011	18,796,705	345,831	123,300	(20,250,608)	(984,772)
Comprehensive income for the year, excluding transfer of foreign exchange difference on deconsolidation of Gelcompany GmbH (note 4)	-	57,226	-	(499,890)	(442,664)
Foreign exchange difference relating to Gelcompany GmbH transferred from foreign currency translation reserve to accumulated losses	-	(403,057)	-	403,057	-
Total comprehensive income for the year	-	(345,831)	-	(96,833)	(442,664)
Transactions with owners in their capacity as owners:					
Transferred to accumulated losses on cancellation of options	-	-	(123,300)	123,300	-
Balance at 31 December 2011	18,796,705	-	-	(20,224,141)	(1,427,436)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2011

	Note	Consolidated December 2011 $	Consolidated December 2010 $
Cash Flows from Operating Activities			
Receipts from customers		30,768	1,727,462
Receipts from grant providers		-	141,344
Payment to suppliers and employees		(451,348)	(3,175,943)
Interest received		5,204	2,997
Income tax received		-	46,468
Net Cash Flows Used in Operating Activities		**(415,376)**	**(1,257,672)**
Cash Flows from Investing Activities			
Overdraft of subsidiary in administration	4	8,811	-
Proceeds from sale of subsidiary		-	154,258
Net Cash Flows Used in Investing Activities		**8,811**	**154,258**
Cash Flows from Financing Activities			
Proceeds from issue of securities		-	210,000
Loan repayments		(48,443)	(150,000)
Loan proceeds received		615,000	500,000
Net Cash Flows from Financing Activities		**566,557**	**560,000**
Net increase (decrease) in cash and cash equivalents		159,992	(543,414)
Opening cash and cash equivalents		191,639	899,639
Cash and cash equivalents at year end		**351,631**	**356,225**

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Fluorotechnics Limited for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 29 February 2012. The directors have the power to amend and re-issue the financial report.

Fluorotechnics Limited is a public company limited by shares incorporated in Australia. Its registered office is Unit 3, 43-51 College Street, Gladesville NSW 2111.

This financial report covers the consolidated financial statements for the consolidated entity consisting of Fluorotechnics Limited and its subsidiaries ("the Group"). The financial report is presented in the Australian currency.

2. GOING CONCERN

For the half-year ended 31 December 2011, the Group incurred a loss from continuing operations of $637,244. At 31 December 2011, the Group had a deficit of current assets over current liabilities of $1,457,301 and net liabilities of $1,427,436.

On 13 February 2012, Fluorotechnics Limited announced it had entered into an option arrangement such that, subject to regulatory approval, confirmatory due diligence, financing and shareholder approval, Fluorotechnics has the right to acquire the businesses of Lamboo Resources Pty Ltd and Mckintosh Resources Pty Ltd with highly prospective base and precious metals exploration assets located in Valla (NSW), Halls Creek (WA) and McIntosh (WA). If the option is exercised, subject to the required due diligence, approvals, and financing, the acquisition price will be $3.5 million to be paid in equity. The option will expire on 13 August 2012 if not exercised.

If this transaction proceeds, it is the intention of the company to raise fresh capital to provide working capital to meet the day to day expenses of the company including funding the exploration costs referable to the assets owned by the two exploration companies.

The directors do not believe that the convertible notes will be redeemable until after 31 August 2012. Current forecasts prepared by management indicate that Fluorotechnics has, at the date the directors signed the Directors' Declaration on page 15, sufficient cash to pay its debts as and when they fall due. However, these forecasts anticipate that the Group will have spent all available cash by approximately 31 August 2012.

Accordingly, the Group currently does not have sufficient cash to allow the Group to continue as a going concern for at least 12 months following the date the directors signed the Directors' Declaration on page 15.

Under Australian Auditing Standards, financial statements are prepared on the going concern basis when the entity is expected to:

(a) be able to pay its debts as and when they fall due; and
(b) continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

Given the above, it is possible that the consolidated entity may be required to liquidate or otherwise wind up its operations prior to 31 August 2012. Accordingly, the financial report has been prepared on a realisation basis rather than a going concern basis. The realisation basis assumes that the consolidated entity is not expected to continue as a going concern. The carrying values of assets and liabilities in the financial statements are based on current estimates of recoverable amounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Fluorotechnics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

4. DISCONTINUED OPERATIONS

On 20 October 2011, Gelcompany GmbH ("Gelco"), a 100% owned subsidiary of Fluorotechnics Limited ("FLS") based in Germany, was placed into administration. As at 31 December 2011, Gelco is still in administration. The directors consider that, from 20 October 2011, FLS no longer controls Gelco as FLS does not have the power to govern the financial and operating policies of Gelco so as to obtain benefits from Gelco's activities.

Accordingly, the results of Gelco have been consolidated from 1 July 2011 to 20 October 2011 in the financial statements of FLS for the period ended 31 December 2011. From 20 October 2011, Gelco is no longer consolidated into the financial statements of FLS, and the profit on disposal of Gelco on 20 October 2011 is as calculated below.

There is significant uncertainty as to:

- the outcome of the administration process, although the directors consider it is probable that Gelco will be liquidated;
- whether FLS will be liable for any liabilities of Gelco, although the directors consider that FLS should not be liable for any such liabilities.

There is a possibility, however, that Gelco may exit administration and subsequently be controlled by FLS. If this was to occur, there is also significant uncertainty as to the impact this would have on FLS.

The financial performance of Gelco for the period ended 20 October 2011 and the period ended 31 December 2010 are set out below:

	Period ended 20 October 2011	Period ended 31 December 2010
	$	$
Revenue	241,140	735,356
Expenses	(300,885)	(1,685,863)
Loss before income tax	(59,745)	(950,507)
Income tax expense	-	-
Loss after income tax of discontinued operations	(59,745)	(950,507)
Profit on disposal on discontinued operations	197,099	
Income tax expense	-	
Profit on discontinued of operations after income tax	137,354	
Foreign exchange difference transferred from the foreign currency translation reserve to profit or loss	403,057	
Profit from discontinued operations	540,411	

Details of the profit on disposal of discontinued operations is as follows:

	Period ended 20 October 2011
Consideration received	-
Deficiency in net assets on date of administration	(197,099)
Profit on disposal of discontinued operations before income tax	197,099
Income tax	-
Profit on disposal of discontinued operations after income tax	197,099

4. DISCONTINUED OPERATIONS (continued)

The carrying amounts of assets and liabilities on the discontinued operations were:

	As at 30 November 2011
Cash and cash equivalents	(8,811)
Trade and other receivables	44,565
Trade and other payables	(189,707)
Employee entitlements	(43,146)
Deficiency in net assets	(197,099)
Cash consideration received	-
Cash outflow - cash held by subsidiary	(8,811)
Net cash outflow from discontinued operations	8,811

5. DIVIDENDS

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the year (2010 nil). The franking account balance is $nil (2010 $nil).

6. SEGMENT INFORMATION

The Group operates in the global biotechnology and diagnostic consumables market.

a. Description of segments

Management has determined the operating segments based on the reports reviewed by the Executive Director that are used to make strategic decisions.

The Executive Director considers the business from both a product and a geographic perspective and has identified three reportable segments. All segments during the half-year sold the same products for the study of Proteomics, Genomics and Cell Biology. The three basic products consist of fluorescence stains, gels and consumables. Performance is, however, monitored separately for the three geographic segments. The Group segments its business based upon geographical locations. Each location engages in business activities from which it earns revenues and incurs expenses, and whose operating results are regularly reviewed by the Executive Directors.

Each reporting segment derives its revenue from the sales, manufacture and development of consumables and equipment to enable scientists to better measure biological processes using fluorescence for the global biotechnology and diagnostic markets.

b. Segment Revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Executive Director is measured in a manner consistent with that in profit or loss.

Revenues from external customers are derived from the sale of the products mentioned above in note 6(a).

c. Segment Assets

The amounts provided to the Executive Director with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

d. Segment Liabilities

The amounts provided to the Executive Director with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

6. SEGMENT INFORMATION (continued)

e. Segment information presented to the Executive Director

During the period ended 31 December 2011, there were only three segments: Europe, Asia-Pacific and Corporate/Head Office. The Europe segment consisted of the 100% owned subsidiary, Gelcompany GmbH, which was placed into administration during the period (note 4). Accordingly, there were no segment assets or liabilities attributable to the European segment as at 31 December 2011.

Revenues and expenses attributable to the European segment are set out in note 4.

All assets and liabilities at 31 December 2011 are attributable to the Asia-Pacific segment. The directors have not presented revenue and expenses for the Asia-Pacific and Corporate/Head Office segments for the period ended 31 December 2011 as the directors do not consider this information material to the users of the financial statements.

	USA	Europe	Asia-Pacific	Corporate /Head office	Consolidated
	$	$	$	$	$
31 December 2010					
Sales to external customers	415,987	569,012	194,361	-	1,179,360
Other revenue	-	141,991	2,350	-	144,341
Total segment revenue	415,987	711,003	196,711	-	1,323,701
Segment expenses	(530,109)	(1,250,915)	(445,543)	(435,782)	(2,662,349)
Segment impairment loss	-	(209,537)	-	-	(209,537)
Segment result	(114,122)	(749,449)	(248,832)	(435,782)	(1,548,185)
Income tax credits	-	-	-	-	-
Consolidated loss after income tax	(114,122)	(749,449)	(248,832)	(435,782)	(1,548,185)
Segment assets	-	266,951	593,100	-	860,051
Segment liabilities	-	347,281	1,137,251	-	1,484,532

7. BORROWINGS

	Consolidated	
	2011	2010
	$	$
Secured Loan Facility from Directors	174,185	222,628
2010 Convertible Notes - issued December 2010	500,000	500,000
2011 Convertible Notes - issued August 2011	615,000	-
	1,289,185	722,628

Secured Loan Facility from current and former Directors
During the year ended 31 December 2010, three directors of the company at the time (John Fletcher, Rick Taylor, and David Weber) lent funds to the company. These amounts were used by the Group for working capital purposes. No further interest accrues on this loan.

The loan is repayable when sufficient capital or other funding has been obtained.

2011 Convertible Notes
In August 2011 Fluorotechnics raised $615,000 though the issue of the 2011 Convertible Notes.

7. BORROWINGS (continued)

The key terms referable to $515,000 of the 2011 Convertible Notes are summarised below:

- The notes are non interest bearing.
- The notes, subject to shareholder approval, convert into ordinary shares when minimum subscriptions have been reached under an offer of share by Fluorotechnics to the public under a Prospectus and this occurs within 24 months ("End Date") of the date of the Convertible Note Subscription Agreement ("Agreement Date").
- The conversion into ordinary shares will occur at a discount of 35% of the issue price under the Prospectus.
- The notes are redeemable by the Noteholder if:
  - An insolvency event (as defined by the Agreement) occurs in relation to Fluorotechnics
  - The company breaches a material clause of the Agreement.
  - The notes are not converted by the End Date and shareholders or government agency approval is required for their conversion, and the Noteholder (acting reasonably and in good faith, and after consultation with the Company) considers that such approval is withheld or will not be obtained.
- The notes are not transferrable without written approval of the Company.

The remaining $100,000 notes were issued on the same terms as described above, except that they will be convertible at the lower of the price described for the $515,000 of Convertible Notes and a 35% discount on an ordinary share issue occurring prior to the capital raising under the Prospectus.

2010 Convertible Notes
In December 2010 Fluorotechnics raised $500,000 though the issue of 2010 Convertible Notes.

The key terms of the 2010 Convertible Notes are:

- Convertible into ordinary shares at any time by the investors over the 18 months term of the notes at $0.03 per share. Automatic conversion of the notes will also occur at the earlier of 6, 9, 12 or 15 months (the 'Early Conversion Dates') after issue of the notes at $0.03 per ordinary share if the volume weighted average price of Fluorotechnics ordinary shares in the 10 business days prior to the Early Conversion Dates is at least $0.03. If the notes have not previously converted they will mandatorily convert at $0.03 per share after 18 months from the date of issue of the notes.
- The conversion rate of the notes is 1 for 1 and they also bear 1 free attaching option. The exercise price per option is $0.03.
- The options expire 2 years after the date of issue of the notes.
- There is no interest payable on the notes.
- The notes are redeemable by the Noteholder if:
  - An insolvency event (as defined in the Agreement) occurs in relation to Fluorotechnics
  - The company breaches a material covenant or undertaking contained in the agreement.
  - The company incurs debts which rank ahead of the Convertible Note
- The principal sum of the notes is potentially repayable if there is a default event.

If the 2010 convertible notes are converted, there be will a further 16,666,667 ordinary shares and 16,666,667 options issued.

The number of ordinary shares that may be issued under the conversion of the 2011 convertible notes is dependent on the issue price under a prospectus.

8. CONTRIBUTED EQUITY

	2011	
Movements in ordinary shares on issue	**$**	**Number**
At 30 June 2011	18,796,705	54,147,874
Nil Movements during the Period		
Balance at 31 December 2011	18,796,705	54,147,874

9. SHARE BASED PAYMENTS

Set out below are details of options as at 31 December 2011:

	$	Number
THIRD PARTY OPTIONS		
Options - fully vested and expiring 28 February 2012 (exercise price $0.55)	-	39,063
Total Third Party Options	-	39,063

No options were issued during the period.

10. CONTINGENT ASSETS AND LIABILITIES

The Group has no known contingent assets as at the date of this report. Contingent liabilities for the Group as at the date of this report include:

Government Grant

On 7 January 2004 Fluorotechnics Limited entered a R&D Start Program (R&D) Grant Agreement with the Australian Government. The grant received under this agreement was $1,040,768 and was for the period 7 January 2004 to 31 December 2007.

A condition of this agreement is that Fluorotechnics Limited must obtain written approval from the Australian Government prior to a change in control of the company or ownership of the intellectual property associated with this project before 30 April 2012 for the R&D Grant.

Such approval for a potential change of control was obtained on 24 October 2011 in relation to a potential acquisition in the resources sector.

The Group has no other known contingent liabilities as at the date of this report.

11. EVENTS SUBSEQUENT TO BALANCE DATE

On 13 February 2012, Fluorotechnics Limited announced it had entered into an option arrangement such that, subject to regulatory approval, confirmatory due diligence, financing and shareholder approval, Fluorotechnics has the right to acquire the businesses of Lamboo Resources Pty Ltd and Mckintosh Resources Pty Ltd with highly prospective base and precious metals exploration assets located in Valla (NSW), Halls Creek (WA) and McIntosh (WA). If the option is exercised, subject to the required due diligence, approvals, and financing, the acquisition price would be $3.5 million to be paid in equity. The option will expire 13 August 2012 if not exercised. A Prospectus giving full information will follow assuming satisfactory due diligence.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Fluorotechnics Limited, I state that in the opinion of the directors:

a) the financial statements and notes of the consolidated entity as set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of 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 and other mandatory professional reporting requirements; and

b) there are reasonable grounds to believe that Fluorotechnics Limited will be able to pay its debts as and when they become due and payable subject to the circumstances outlined in note 2 to the financial statements.

On behalf of the Board:

Richard Trevillion
Chairman

Signed at Sydney on 29 February 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Fluorotechnics Limited:

As lead auditor for the review of Fluorotechnics Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

This declaration applies to Fluorotechnics Limited and the entities it controlled during the half year ended 31 December 2011.

A G Smith
Partner

Sydney
29 February 2012

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HLB Mann Judd

Accountants | Business and Financial Advisers

FLUOROTECHNICS LIMITED
ABN 27 099 098 192

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fluorotechnics Limited

We have reviewed the accompanying half-year financial report of Fluorotechnics Limited ("the company") which comprises the consolidated balance sheet as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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HLB Mann Judd

FLUOROTECHNICS LIMITED
ABN 27 099 098 192

INDEPENDENT AUDITOR'S REVIEW REPORT (continued)

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 Fluorotechnics Limited, would be in the same terms if given to the directors as at the time of this independent auditor's review 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 Fluorotechnics 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 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 the *Corporations Regulations 2001*.

Accounts Prepared on a Realisation Basis

Without qualification to the above, we draw attention to the following matter. As set out in note 2 to the financial report, the financial report has been prepared on a realisation basis as it is possible that the consolidated entity may be required to liquidate or otherwise wind up its operations prior to approximately 31 August 2012. Our opinion is not modified in respect of this matter.

Discontinued Operation

Without qualification to the above, we draw attention to the following matter. As set out in note 4 to the financial report, there is significant uncertainty related to the outcome of the administration process of the company's subsidiary, Gelcompany GmbH. Our opinion is not modified in respect of this matter.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Sydney
29 February 2012

A G Smith
Partner