Pharmaxis Ltd

ABN 75 082 811 630

ASX Half year report – 31 December 2006

Lodged with the ASX under Listing Rule 4.2A

This report is to be read in conjunction with the financial statements for the year ended 30 June 2006 and any public announcements made by Pharmaxis Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Contents

Pharmaxis Ltd
ABN 75 082 811 630

Reporting period: Half year ended 31st December 2006
(Previous corresponding period: Half year ended 31st December 2005)

Results for announcement to the market

				A$'000
Revenue from ordinary activities	**Up**	**101%**	to	**2,893**
Profit(loss) from ordinary activities after tax	**Up**	**102%**	to	**(13,278)**
Net profit(loss) for the half year attributable to members	**Up**	**102%**	to	**(13,278)**

Dividends
It is not proposed to pay a dividend

Other Appendix 4D information

	31 December 2006	31 December 2005
Net tangible assets per ordinary share	**$ 0.48**	$ 0.62

Pharmaxis Ltd
Half Year Report - 31 December 2006

Contents

This half year report covers both Pharmaxis Ltd as an individual entity and the consolidated entity consisting of Pharmaxis Ltd and its subsidiary. The financial report is presented in the Australian currency.

Pharmaxis Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Pharmaxis Ltd
Unit 2, 10 Rodborough Road
Frenchs Forest, Australia 2086

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements for the year ended 30 June 2006 and any public announcements made by Pharmaxis Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act* 2001.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report which is not part of this financial report.

The half year report was authorised for issue by the directors on 8th February 2007. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the group. Press releases, financial reports and other information are available at our website: www.pharmaxis.com.au.

Pharmaxis Ltd

Directors Report

For the half-year ended 31 December 2006

Your directors present their report on the group for the half-year ended 31 December 2006.

Directors

The following persons were directors of the company during the whole of the half-year and up to the date of this report:

Denis Hanley
Alan Robertson
Charles Kiefel
Malcolm McComas
Peter Farrell
John Villiger (appointed 15th November 2006)
Brigitte Smith (retired 26th October 2006)

Review of operations

Overview

Major milestones achieved during the first half of fiscal 2007 included:

- Marketing approval received for Aridol in Sweden, the key first approval in the European mutual recognition procedure
- Appointment of Aridol distributors for Greece, Italy and Netherlands
- Aridol marketing application filed in Switzerland
- First shipments of Aridol to the United States and Europe
- Closed and reported the US Phase III clinical trial of Aridol
- The United States Food and Drug Administration granted fast track status to Bronchitol for cystic fibrosis
- Regulatory approval received to commence the UK arm of a Phase III clinical trial to evaluate Bronchitol in patients suffering from cystic fibrosis

Financial Highlights	**31 December 2006**	31 December 2005
	$'000	$'000
Revenue from sale of goods	**117**	-
Cost of sales	**(29)**	-
Gross profit	**88**	-
Interest income	**2,776**	1,436
Government research grants	**1,187**	430
Other expenses from ordinary activities		
Research & development expenses	**(13,772)**	(5,646)
Administration expenses	**(1,881)**	(2,182)
Commercial expenses	**(1,616)**	(603)
Foreign exchange losses	**(52)**	-
Loss before income tax	**(13,270)**	(6,565)
Income tax expense	**(8)**	-
Loss for the period	**(13,278)**	(6,565)
Cash and cash equivalents	**86,073**	106,434
Net assets	**86,419**	108,906

Revenue from sale of goods:

The group shipped Aridol to customers in the United States, Sweden and Australia during the period, following approval and the first commercial sale of Aridol in the second half of the 2006 financial year. Gross margin was 75% of sales value.

Grant income:

Grant income in the half-year ended 31 December 2006 derives predominantly from the Pharmaceuticals Partnerships Program (P3) grant awarded to the group in April 2004. The grant payable to Pharmaxis is calculated at 30% of the increase of eligible R&D expenditure over a base amount (derived from average prior year expenditures), less other research grants received in the period. Predominantly all of the grant income in the half-year ended 31 December 2005 derived from a R&D Start Grant for the development of new treatments for cystic fibrosis which concluded in December 2005.

Interest:

The increase in interest income is attributable to the greater level of funds invested during the first half of fiscal 2007. The group started the current fiscal year with $98 million of cash and bank accepted bills of exchange. By contrast, the group started the 2006 fiscal year with $33 million of cash and bank accepted commercial bills to which was added approximately $80 million in November 2005 from a capital raising in Australia and the United States.

Research & development expenses:

Research & development expenses increased by approximately $8.1 million in the first half of fiscal 2007 compared to the first half of fiscal 2006. There are presently five components to research & development expenses:

1. The research unit based at the John Curtin School of Medical Research within the Australian National University accounted for approximately 2 percent of our total research and development expenditure in the current half-year. The research unit is focused on autoimmune diseases. The work of this research unit was transferred to our North Ryde facilities during the current half year and the level of expenditure in the first half of fiscal 2007 therefore decreased by over 60% compared to the first half of fiscal 2006.

2. The drug discovery unit based in leased laboratories at North Ryde was opened in the second-half of fiscal 2006. This unit accounted for approximately 4 percent of our total research and development expenditure in the current half-year. It is focused on autoimmune and respiratory drug discovery and during the current half year assumed responsibility for all research work previously carried out at the Australian National University. This area of expenditure accounted for approximately seven percent of the increase in overall research & development expenditure during the current half-year.

3. The preclinical development group located at our Frenchs Forest facility accounted for approximately 12 percent of our total research and development expenditure in the current half-year and increased by approximately 81 percent compared to the prior comparable period. This group is managing the outsourced safety/toxicology studies of the Aridol and Bronchitol products and the preclinical development of lead compounds in the autoimmune area. Predominantly all of the expenditure in the current half-year related to the Aridol and Bronchitol safety studies. This area of research accounted for approximately nine percent of the increase in overall research & development expenditure during the current half-year.

4. The clinical group located at our Frenchs Forest Facility accounted for approximately 62 percent of our total research and development expenditure in the current half-year and increased by approximately 238 percent compared to the prior comparable period. The clinical group designs and monitors the clinical trials run by the group. The majority of the expenditures of this group are directed at hospitals and other services related to the conduct and analysis of clinical trials. This increase in expenditure reflects the increased number of active clinical trials in the first half of fiscal 2007. This area of research accounted for approximately 74 percent of the increase in overall research & development expenditure during the current half-year.

5. Manufacturing. The TGA registered manufacturing facility at Frenchs Forest is focused on producing material for clinical trials and developing enhanced manufacturing processes. It is therefore classified as a research & development expenditure. Manufacturing accounted for approximately 20 percent of our total research and development expenditure in the current half-year and increased by approximately 63 percent compared to the prior comparable period, reflecting production of material for clinical trials and preclinical development and product stability studies required to support registration applications. This area of expenditure accounted for approximately 15 percent of the increase in overall research & development expenditure during the current half-year.

Administration expenses:

Administration expenses include accounting, administration, recruitment and public company costs. Administration expenses for the current half-year were $1.9 million, a decrease of 14 percent over the prior comparable period. The decrease in administration expenses in the current half-year is mainly attributable to the half-year ended 31 December 2005 including one-off costs incurred in listing the Company on Nasdaq and reduced staff relocation expenses in the current half year.

Commercial expenses:

The commercial group is responsible for the launch of Aridol in Australia, Europe and the United States. The 168% increase in commercial expenses is directly related to the increased level of activity as the group launched Aridol in Australia and prepared for the commercial launch in Europe.

Foreign exchange losses:

Foreign exchange losses relate to the movement in foreign exchange rates between the point in time when invoices from overseas suppliers are booked as liabilities and the date on which the invoices are paid.

Income tax expense:

Income tax expense relates to income generated by the Group's UK subsidiary which was incorporated during the year and is currently reimbursed for its expenditures on a cost plus basis upon which tax is payable.

Balance Sheet:

The group ended the half year with $86 million in cash and bank accepted commercial bills.

Major items of capital expenditure during the period included the installation of additional laboratory equipment to permit higher QC capacity and support US FDA approval.

Shareholders are advised that additional information concerning the group's progress in the quarter ended 31st December 2006 is contained in the December 2006 Quarterly Report to Shareholders, available on the Pharmaxis website.

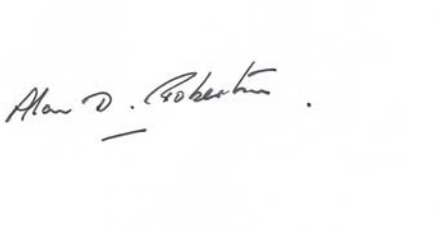
Auditors' independence declaration

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

Rounding of amounts

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

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



Alan D Robertson
Director

8th February 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

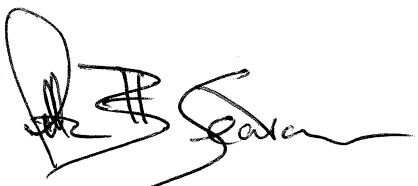
Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Auditors' Independence Declaration

As lead auditor for the review of Pharmaxis Ltd for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pharmaxis Ltd and the entities it controlled during the period.



WHB Seaton
Partner
PricewaterhouseCoopers

Sydney
8 February 2007

Pharmaxis Ltd

Income statement

For the half-year ended 31 December 2006

	Notes	**31 December 2006 $'000**	31 December 2005 $'000
Revenue from continuing operations			
Revenue from sale of goods	2	**117**	-
Cost of sales		**(29)**	-
Gross profit		**88**	-
Other revenue	2	**2,776**	1,436
Other income	3	**1,187**	430
Other expenses from ordinary activities	4		
Research & development expenses		**(13,772)**	(5,646)
Administration expenses		**(1,881)**	(2,182)
Commercial expenses		**(1,616)**	(603)
Foreign exchange losses		**(52)**	-
Loss before income tax		**(13,270)**	(6,565)
Income tax expense		**(8)**	-
Loss for the period		**(13,278)**	(6,565)
Earnings per share:		Cents	Cents
Basic earnings / (loss) per share	9	**(7.5)**	(4.5)
Diluted earnings / (loss) per share	9	**(7.5)**	(4.5)

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

Pharmaxis Ltd

Balance sheet

As at 31 December 2006

	Notes	31 December 2006 $'000	30 June 2006 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**86,073**	97,840
Trade and other receivables		**1,679**	1,371
Inventories		**72**	100
Total current assets		**87,824**	99,311
Non-current assets			
Receivables		**255**	284
Other financial assets		**271**	272
Plant and equipment		**3,637**	3,205
Intangible assets		**1,181**	1,195
Total non-current assets		**5,344**	4,956
Total assets		**93,168**	104,267
LIABILITIES			
Current liabilities			
Trade and other payables		**6,616**	5,257
Other liabilities		**29**	48
Current tax liabilities		**13**	5
Total current liabilities		**6,658**	5,310
Non-current liabilities			
Provisions		**91**	63
Other liabilities		**-**	6
Total non-current liabilities		**91**	69
Total liabilities		**6,749**	5,379
Net assets		**86,419**	98,888
EQUITY			
Contributed equity	5 (a)	**134,925**	134,745
Reserves	5 (c)	**3,151**	2,522
Accumulated losses	5 (d)	**(51,657)**	(38,379)
Total equity		**86,419**	98,888

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

Pharmaxis Ltd

Statement of changes in equity

For the half-year ended 31 December 2006

	31 December 2006 $'000	31 December 2005 $'000
Total equity at the beginning of the financial year	**98,888**	35,467
Total recognised income and expense for the period		
Loss for the period	**(13,278)**	(6,565)
Transactions with equity holders in their capacity as equity holders		
Contributions of equity, net of transaction costs	**180**	79,600
Employee share options	**629**	404
Total equity at the end of the financial period	**86,419**	108,906

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

Pharmaxis Ltd

Cash flow statement

For the half-year ended 31 December 2006

	31 December 2006 $'000	31 December 2005 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**74**	-
Payments to suppliers and employees (inclusive of goods and services tax)	**(14,863)**	(7,378)
	(14,789)	(7,378)
Research grant receipts from government	**941**	363
Interest received	**2,776**	1,436
Income taxes paid	**-**	-
Net cash outflow from operating activities	**(11,072)**	(5,579)
Cash flows from investing activities		
Payments for plant and equipment	**(833)**	(960)
Proceeds from disposal of plant & equipment	**12**	-
Payments for intangible assets	**(55)**	(16)
Net cash outflow from investing activities	**(876)**	(976)
Cash flows from financing activities		
Proceeds from issues of shares	**180**	86,554
Share issue transaction costs	**-**	(6,954)
Net cash inflow from financing activities	**180**	79,600
Net increase/(decrease) in cash and cash equivalents	**(11,768)**	73,045
Cash and cash equivalents at the beginning of the financial year	**97,840**	33,389
Effects of exchange rate changes on the balance of cash held in foreign currencies	**1**	-
Cash and cash equivalents at the end of the financial period	**86,073**	106,434

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

1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 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 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 2006 and any public announcements made by Pharmaxis Ltd 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.

The financial report relates to the consolidated group, being the Company and its subsidiary. As the subsidiary was acquired 6th February 2006 the comparative data for the period to 31 December 2005 relates to the Company itself.

2. Revenue

	31 December 2006 $'000	31 December 2005 $'000
Sales revenue		
Sale of goods	**117**	-
Other revenue		
Interest	**2,776**	1,436

3. Other income

Government grants	**1,187**	430

Government grants comprised the following:

i. R&D START program grants of $24 (2005: $424).

ii. Australian Government's Pharmaceuticals Partnerships Program ("P3") grants of $1,163 (2005: $Nil).

iii. NSW Department of State and Regional Development commercial grants of $Nil (2005: $6).

4. Expenses

	31 December 2006 $'000	31 December 2005 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**325**	433
Computer equipment	**50**	32
Leasehold improvements	**11**	22
Total depreciation	**386**	487
Amortisation		
Patents	**46**	45
Trademarks	**1**	-
Software	**21**	-
Total amortisation	**68**	45

4. Expenses (continued)

	31 December 2006	31 December 2005
	$'000	$'000
Net loss on disposal of plant and equipment	**3**	-
Rental expense relating to operating leases	**233**	167
Net foreign exchange losses	**52**	-
Employee benefits expense		
Defined contribution superannuation expense	**219**	139
Other employee benefits expenses	**4,265**	2,505

5. Equity and reserves

	Parent entity		**Parent entity**	
	31 December 2006	30 June 2006	**31 December 2006**	30 June 2006
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares				
Fully paid	**177,355,717**	176,903,592	**134,925**	134,745

Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**Issue price**	**$'000**
1 July 2006	Opening balance	176,903,592		134,745
19 July 2006	Exercise of employee options	56,000	$ 0.3125	18
19 July 2006	Exercise of employee options	1,500	$ 1.7900	3
4 September 2006	Exercise of employee options	10,000	$ 0.3125	3
19 October 2006	Exercise of employee options	60,000	$ 0.1250	7
19 October 2006	Exercise of employee options	160,000	$ 0.3125	50
19 October 2006	Exercise of employee options	25,000	$ 1.7900	45
6 November 2006	Exercise of employee options	10,000	$ 0.3125	3
27 November 2006	Exercise of employee options	2,500	$ 1.1470	3
27 November 2006	Exercise of employee options	10,000	$ 0.3125	3
27 November 2006	Exercise of employee options	1,500	$ 1.7900	3
7 December 2006	Exercise of employee options	3,125	$ 1.7900	6
7 December 2006	Exercise of employee options	2,500	$ 0.8340	2
7 December 2006	Exercise of employee options	110,000	$ 0.3125	34
31 December 2006	Balance	177,355,717		134,925

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

5. Equity and reserves (continued)

	31 December 2006	30 June 2006
	$'000	$'000
(c) Movements in reserves		
Share-based payments reserve		
Balance 1 July	**2,521**	1,397
Option expense	**629**	1,124
Balance end of financial period	**3,150**	2,521
Foreign currency translation reserve		
Balance 1 July	**1**	-
Currency translation differences arising during the period	**-**	1
Balance end of financial period	**1**	1

(d) Accumulated losses

Movements in accumulated losses were as follows:

	2006	2006
	$'000	$'000
Balance 1 July	**(38,379)**	(20,646)
Net loss for the period	**(13,278)**	(17,733)
Balance end of financial period	**(51,657)**	(38,379)

(e) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options granted.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve.

6. Contingent liabilities

The parent entity and Group had contingent liabilities at 31 December 2006 in respect of:

Government grants

The group has received three separate Australian Government research grants under the R&D START Program, all three of which have been completed. The Government may require the group to repay all or some of the amount of a particular grant together with interest in either of the following circumstances:

a) the company fails to use its best endeavours to commercialise the relevant grant project within a reasonable time of completion of the project; or

b) upon termination of a grant due to breach of agreement or insolvency.

The group continues the development and commercialisation of all three projects funded by the START Program. The total amount received under the START Program at 31 December 2006 was $4,708.

6. Contingent liabilities (continued)

The group received $1,163 (2005: $55) under the Australian Government's Pharmaceuticals Partnerships Program ("P3") during the financial period. The Government may require the group to repay all or some of the amount of the grant together with interest in any of the following circumstances:

a) the Government determines that expenditure claimed on research projects do not meet the P3 guidelines; or

b) upon termination of the grant due to breach of agreement, change in control of the group or insolvency.

Other

The company has entered into an agreement with Macquarie Goodman to underwrite costs incurred as part of a development application for the proposed development of a purpose built facility. In the event that an Agreement of Lease is not entered into between the company and Macquarie Goodman in connection with the proposed development the company will be required to pay $40 toward the DA submission.

Guarantees

The group's bankers have issued a bank guarantee of $177 in relation to a rental bond for which no provision has been made in the accounts. This bank guarantee is secured by a security deposit held at the bank.

7. Events occurring after the balance sheet date

No matter or circumstance has arisen since 31 December 2006 that has significantly affected, or may significantly affect:

(a) the group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the group's state of affairs in future financial years.

8. Financial reporting by segments

The group operates predominantly in one industry. The principal activities of the group are the research, development and commercialisation of pharmaceutical products.

The group operates predominantly in one geographical area, being Australia.

9. Earnings per share

	31 December 2006 Cents	31 December 2005 Cents
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the company	**(7.5)**	(4.5)
(b) Diluted earnings per share		
Loss attributable to the ordinary equity holders of the company	**(7.5)**	(4.5)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings / (loss) per share	**177,079,426**	145,644,489

(d) Information concerning the classification of securities

Options
Options granted to employees under the Pharmaxis Ltd Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Given the entity is currently loss making, the potential ordinary shares are anti-dilutive and have therefore not been included in the diluted earnings per share calculation.

Pharmaxis Ltd
Directors' declaration
31 December 2006

In the directors' opinion:

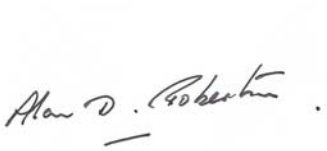
(a) the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Pharmaxis Ltd will be able to pay its debts as and when they become due and payable.

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



Alan D Robertson

Director

Sydney
8th February 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent review report to the members of Pharmaxis Ltd

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Pharmaxis Ltd (the Company) for the half-year ended 31 December 2006 included on Pharmaxis' web site. The Company's directors are responsible for the integrity of the Company's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Pharmaxis Ltd:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Pharmaxis Ltd as at 31 December 2006 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

PRICEWATERHOUSECOOPERS

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Pharmaxis Ltd, for the half-year ended 31 December 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel and
- analytical procedures applied to financial data.

When this review report is included in a document containing the directors' report, our procedures include reading the director's report included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001.*

PricewaterhouseCoopers

WHB Seaton
Partner

Sydney
8 February 2007