



## Wellington Drive Technologies Ltd

Interim Results for announcement to the market

Reporting Period: 6 Months to 30 June 2008 (unaudited)

Previous Reporting Period: 6 months to 31 December 2007 (audited)

### Key Points

- Revenue at \$6.5m for the six month period to 30 June 2008, against the second half of 2007 up 29%;
- Reported loss \$4.4m, up from \$3.9m for the comparative six months;
- Commercial refrigeration success continues – end-users of the Company's ECR range now include Wal-Mart, Kroger, Coca-Cola, Tesco, Aldi and Coles;
- Opens Manufacturing and Logistics Head Office in Singapore, expands in NZ and USA;
- Company obtained FRST grant approval of \$1.75m for new R&D programme.



## Report of the directors and chief executive to the shareholders

### Overview

Increased global focus on energy efficiency and ongoing high raw material prices continue to create a favorable environment for the commercialization of Wellington's electric motor technology. This was evidenced in the period by rapid growth in sales of our high efficiency "ECR" commercial refrigeration motors and further significant progress in key high volume total integration projects.

Despite the fact that the Company recorded only minor sales revenue against its 400,000 unit North American order during the period, ECR sales still increased by 56% over the second half of calendar 2007.

The Company's five Total Integration projects are progressing in line with expectations, as shown by the increased level of engineering revenue generated in the period. The Company is expecting initial product revenues from these projects in 2009 with substantial growth thereafter.

Against this background Wellington continues to invest in building its global sales and manufacturing platform. The establishment of the Company's new stator manufacturing facility in Singapore represents a significant step towards Wellington's ultimate goal of high volume manufacturing at industry-leading cost points.

Investment in the Company's sales force has continued over the period. The majority of hiring activity has taken place in North America where Wellington has seen rapid growth in demand and enquiries for its ECR electricity-saving commercial refrigeration motors. Demand has accelerated following the increase in sales activity since March 2007, linked in to the existence of notable reference sites in the region through our deliveries to companies such as Hill Phoenix, Federal Industries and others.

Wellington has recently obtained Underwriters Laboratories (UL) certification for its ECR92 motor, absence of which held back ECR sales growth in the US market in the first half of the financial year. Achieving UL approval opens up further opportunity for accelerated ECR growth. The Company is currently progressing European (VDE) approval for the equivalent European product, which will aid selling efforts in that market.

During the half year considerable resources were devoted to expanding manufacturing infrastructure and increasing the capacity of the supply chain overall. Customer demand increased substantially during the period, although our ability to satisfy that demand, and record revenues, was constrained while manufacturing capacity was expanded.

### Financial Review

Compared to the six months to 31 December 2007, group revenue was up 29% to \$6.5million, with product revenues up 26% to \$5.9 million and engineering and license revenues up 63% to \$0.6 million.

The consolidated loss before tax was \$4.4 million, up from \$3.9 million in the comparative period. Overheads, largely in overseas markets, increased according to plan as the sales force was expanded and additional investments were made in personnel associated with manufacturing and supply chain management, once again offshore. Net exchange gains for the group were \$0.5 million against a loss of \$0.3 million in the six months to 31 December 2007.



Investment in sales and support infrastructure continues as per our growth plans – with the growth of international in-market sales and customer services resources, and manufacturing and logistics capability.

The Company marginally decreased its net capitalisation of development assets, which it expenses through operating expenses, by \$0.2 million during the financial year as research and development efforts continue in line with the level of previous years.

Cash balance at 30 June 2008 was \$15.5 million.

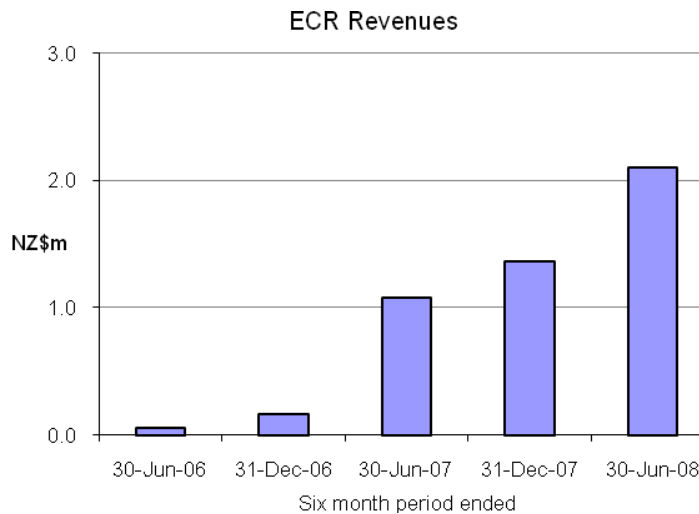
Stock on hand at 30 June 2008 was \$4.1 million, down from \$5.2 million in December, and up from \$3.6 million at 30 June 2007. Receivables were \$0.5m higher at \$4.0 million and trade creditors were down to \$1.8 million from \$2.8 million in December and \$2.0 million on 30 June 2007.

Plant, Property and Equipment was up \$0.5 million to \$2.8 million reflecting part of the Company’s investment in the new Manufacturing and Logistics Head Office in Singapore.

## The Growing Business

### Supermarket and Vending Refrigeration

Sales of ECR range of products for the commercial refrigeration market continue to grow well, due to a focus of sales resources on that range, particularly in North America. The following graph shows the path of Wellington’s ECR motor sales over the last five six month periods.



These products are used by supermarket and vending equipment suppliers to allow their customers to save significant amounts of electricity. The range has been designed as a “drop in replacement” for standard low-efficiency motors. We believe that approximately 20 million of these standard motors are currently sold every year, and our objective is that our ECR products become positioned to eventually take most of this market.



As well as having a strong and growing customer base, Wellington's ECR range of motors are now in end-use with some of the world's leading global brands, including Wal-Mart, Kroger, Coca-Cola, Tesco, Aldi and Coles.

We announced a single order late in the last calendar year for 400,000 ECR motors; this order is believed to be the largest single order yet placed with any company worldwide for electricity saving motors. Deliveries to the 400,000 unit order announced late in the last calendar year commenced during the half year, which is a major step forward given the customer's stringent requirements as regards accelerated life testing, and field trials, all of which have been successfully completed. However, although deliveries have begun, little of the business from this order was recorded as revenues during the half year, with the majority of product going into in-market stock. Revenues for this order will grow steadily, and with a high level of certainty, from the third quarter 2008.

The Company also continues to offer a range of conventional low-efficiency, induction, motors to customers to assist their transition more easily to high efficiency Wellington products. These are sold under the "AirMoVent" brand. They offer customers an avenue to begin trading with Wellington at little risk, as these products are entirely familiar, and alternatives are available.

## Heat Recovery and Domestic Ventilation Systems

The Company offers a range of motors, controls and fans, which we call the "DD series", to customers in the Heat Recovery and Domestic Ventilation markets. These markets are becoming well developed in Northern Europe and our DD series is well suited to the requirements of European customers.

Sales of DD motors and controllers were up slightly against the comparative period, the six months to 31 December 2007 and slightly down on the first half of 2007.

As we noted in our most recent Annual Report, we expect that the major manufacturing and distribution deal announced in January, which focuses primarily on ventilation motors and their related markets, will begin to positively influence revenues from the second half of 2008 and, more substantially, into 2009.

## Fan Filter Units

The Company made several deliveries and obtained important repeat orders for the DF range of products, aimed at the clean room fan-filter market. The DF range is used in major, high value installations such as semiconductor fabrication plants and LCD/plasma screen factories.

Volumes for the half were in line with the second half 2007. Orders for the second half of 2008 are projected to provide good growth in this product range, with the Company and its associates bidding currently for several major contracts in the Asian region; this is expected to provide a strong platform for future performance.

## Total Integration

Total Integration is application specific motor and system design for commercial and residential appliance manufacturers. The ability to design in and scale the physical properties of Wellington's innovative motor offering, together with associated software and special-purpose electronic controls, allows the Company's design team to deliver electricity saving solutions at



low system costs. The Company's Total Integration offering differentiates us in today's motor market.

The Company now has five active Total Integration projects at various stages of delivery, four of which are for residential appliance programmes. A considerable pipeline of Total Integration work is available and the current level of Total Integration work is limited by the capacity of Wellington's engineering team; new Total Integration work is not being accepted at present. Product revenues ultimately secured will depend on the final supply arrangements agreed for these and similar projects, but are expected to grow steadily throughout 2009. The largest project, which is in early stages at the moment, has the potential for sales of 5-7 million units per year, depending on how widely the customer adopts the Wellington design. All other projects also have volumes in the millions of units per year, and all have prospects for growth significantly beyond those numbers.

## Growth Plans

The Company has moved into its Manufacturing and Logistics Head Office facility in Singapore, officially opened on 12<sup>th</sup> August by Singapore Minister for National Development, Mr. Mah Bow Tan.

The new Singapore facility is currently engaged on the first production quantities for one Total Integration project. As it comes on line fully over the next few months, the remaining New Zealand volume production will be incrementally transferred. This is expected to be completed in the last quarter of 2008. Full capability for short-run production of all Wellington product types will be retained in New Zealand with local staff being reassigned to trial production activities linked to engineering programmes, and short run production for Total Integration customers.

We have also taken the lease on a facility in the greater Chicago area, which will be used as a regional sales and customer support office and warehouse from September 2008.

The Company's R&D into high efficiency technology has also grown during the first half of 2008. The Company was pleased to secure a \$1.75m grant from the Foundation for Research, Science and Technology for its Advanced Fabrication programme.

## Outlook

The Company's outlook remains strongly positive, most notably due to the good success of its ECR motors for commercial refrigeration systems where demand is growing strongly on the back of a visible record of delivery to demanding customers in North America and Europe. Steady business has been achieved with Wellington's "DD" lines for heat recovery and ventilation systems, with repeat orders and forecasts for growth over the coming year. New distribution arrangements associated with the manufacturing and distribution deal announced in January are expected to assist growth of these lines. Resources have been focused over the past 6 months on building the Company's delivery capability, both in terms of manufacturing capacity, logistics, sales and customer support. Our capacity in all those important areas has been substantially expanded, and we are becoming well positioned to support the increasing demands being placed on us by customers and prospects. While future prospects remain difficult to predict with any certainty, the results show that Wellington has already achieved a modest position in world markets, supplying some demanding and high profile customers. We plan to continue to build on that success to increase market share, sales revenues and profit margins.



The Company continues to progress towards its goal of trading at a breakeven position in the second half of 2009, while continuing to expand its operations at similar rates to current levels. We expect to achieve this goal provided that order growth can be sustained, and volume associated with orders can be drawn through the supply chain at sufficient levels, and in a timely fashion, so that the improvement in production margins, can continue.



## WELLINGTON DRIVE TECHNOLOGIES LIMITED

### Consolidated Income Statements

	Note	Six months ended	
		30 June 2008	* 31 December 2007
		\$000s	\$000s
Revenue		6,538	5,069
Cost of sales		(5,746)	(4,792)
<b>Gross profit</b>		<b>792</b>	<b>277</b>
Other income		804	403
Administration expenses		(1,248)	(931)
Marketing expenses		(2,012)	(1,655)
Other expenses		(3,089)	(2,304)
<b>Operating loss</b>		<b>(4,753)</b>	<b>(4,210)</b>
Finance income		384	323
Finance expenses		(63)	(44)
Loss before income tax		(4,432)	(3,931)
Income tax expense		-	-
Loss attributable to equity holders for the period		<b>(\$4,432)</b>	<b>(\$3,931)</b>
Basic earnings per share – cents		(1.33)	(1.28)
Diluted earnings per share – cents		(1.33)	(1.28)

*The above Income Statement should be read in conjunction with the accompanying notes.*

### Statements of Movements in Equity

	Note	Six months ended	
		30 June 2008	31 December 2007
		\$000s	\$000s
Equity at beginning of period		17,626	21,567
Net loss for period		(4,432)	(3,931)
Movement in Reserves		17	(6)
Total recognised income and expense for period		(4,415)	(3,937)
Contributions of equity		12,865	-
Costs related to issues of new equity		(142)	(4)
Equity at end of period		<b>\$25,934</b>	<b>\$17,626</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

\*- The introduction of IFRS and the change in Wellington's Balance Date mean the comparable period for this result is the 6 months to 31 December 2007.



## WELLINGTON DRIVE TECHNOLOGIES LIMITED

### Consolidated Balance Sheet

Note	As at 30 June 2008 \$000s	As at 31 December 2007 \$000s	As at 30 June 2007 \$000s
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	15,529	7,837	14,744
Trade and other receivables	3,978	3,461	3,072
Current tax receivables	-	-	-
Inventories	4,095	5,192	3,579
Total current assets	<b>23,602</b>	16,490	21,395
<b>NON CURRENT ASSETS</b>			
Property, plant & equipment	2,753	2,204	2,244
Intangible assets	2,938	2,966	2,619
Advances to subsidiaries	-	-	-
Investment in subsidiaries	-	-	-
Total non current assets	<b>5,691</b>	5,170	4,863
Total assets	<b>29,293</b>	21,660	26,258
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,826	2,779	3,574
Bank finance facilities (secured)	1,101	955	960
Provisions	163	156	157
Current portion of lease liability	54	22	-
Total current liabilities	<b>3,144</b>	3,912	4,691
<b>NON CURRENT LIABILITIES</b>			
Lease liability	215	122	-
Total liabilities	<b>3,359</b>	4,034	4,691
Net assets	<b>\$25,934</b>	\$17,626	\$21,567
<b>EQUITY</b>			
Contributed equity	68,525	55,802	55,806
Retained earnings	(42,737)	(38,305)	(34,374)
Other reserves	146	129	135
Total equity	<b>\$25,934</b>	\$17,626	\$21,567

*The above Balance Sheet should be read in conjunction with the accompanying notes.*



## WELLINGTON DRIVE TECHNOLOGIES LIMITED

### Cash Flow Statements

Note	Six months ended	
	30 June 2008 \$000s	31 December 2007 \$000s
<b>Cash flows from operating activities</b>		
Receipts from customers exclusive of GST	6,996	4,932
Payments to suppliers and employees exclusive of GST	(11,142)	(9,725)
Net GST (paid)/received	15	83
Cash utilised in operations	(4,131)	(4,710)
Interest received	384	323
Interest paid	(63)	(44)
Income taxes refunded	-	-
Net cash outflow from operating activities	(3,810)	(4,431)
<b>Cash flows from investing activities</b>		
Payments for property, plant & equipment	(894)	(294)
Payments for intangible assets	(327)	(540)
Loans to subsidiaries	-	-
Net cash outflow from investing activities	(1,221)	(834)
<b>Cash flows from financing activities</b>		
Cash proceeds from share issues, net of issue costs	12,723	(4)
Shareholder oversubscriptions	-	(1,638)
Net cash (outflow) / inflow from financing activities	12,723	(1,642)
Net (decrease) / increase in cash and cash equivalents	7,692	(6,907)
Cash and cash equivalents at the beginning of the financial period	7,837	14,744
<b>Cash and cash equivalents at end of period</b>	<b>\$15,529</b>	<b>\$7,837</b>

*The above Cash Flow Statement should be read in conjunction with the accompanying notes.*



## WELLINGTON DRIVE TECHNOLOGIES LIMITED

### Notes to the Interim Financial Statements for the six months ended 30 June 2008

#### 1. GENERAL INFORMATION

Wellington Drive Technologies Limited (the Company) and its subsidiaries (together the Group) are technology companies that develop, manufacture and market brushless electric motors for worldwide use. The Company and its subsidiaries are profit oriented entities.

The Company is a limited liability company incorporated under the Companies Act 1993 and domiciled in New Zealand. It is listed on the New Zealand Stock Exchange ("NZX") and is an issuer in terms of the Financial Reporting Act 1993.

The Company changed its balance date from 30 June to 31 December. As such the December 2007 financial statements reported on the six months from 1 July 2007 to 31 December 2007 only.

These condensed consolidated interim financial statements have been approved for issue on 25 August 2008.

These condensed consolidated interim financial statements have not been audited.

#### 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the period ended 31 December 2007, which have been prepared in accordance with IFRSs.

#### 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its financial statements as at and for the period ended 31 December 2007.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions';
- IFRIC 12, 'Service Concession Arrangements'; and
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment Reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase;
- IAS 23 (amendment), 'Borrowing Costs', effective for annual periods beginning on or after 1 January 2009. This amendment is considered not relevant to the Group;
- IFRS 2 (amendment) 'Share-Based Payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of pending changes to vesting conditions and cancellations on the Group's Employee Share Option Plan;
- IFRS 3 (amendment), 'Business Combinations' and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates' and IAS 31, 'Interests in Joint Ventures',



effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures or associates;

- IAS 1 (amendment), 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- IAS 32 (amendment), 'Financial Instruments: Presentation', and consequential amendments to IAS 1, 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments;
- IFRIC 13, 'Customer Loyalty Programmes', effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group as the Group does not have any 'Customer Loyalty Programmes'.

#### 4. SEGMENT INFORMATION

##### (a) Description of segments

###### Geographical segments

The Group operates in three geographical segments. New Zealand, Turkey and other countries. This geographical segmentation is determined based on the location of assets.

'Other' segments below are the Group operations in USA, Singapore and Italy.

###### Business segments

The Group operates in one business segment being developing, manufacturing and marketing its brushless electric motors.

##### (b) Primary reporting format – geographical segments

Six months ended 30 June 2008	New Zealand \$000s	Turkey \$000s	Other \$000s	Total Operations \$000s	Inter-segment transactions eliminated/ unallocated \$000s	Consolidated \$000s
Sales to external customers	5,707	393	438	6,538	-	6,538
Intersegment sales	401	100	13	514	(514)	-
Total sales revenue	6,108	493	451	7,052	(514)	6,538
Other revenue/income	729	17	567	1,313	(509)	804
Total segment revenue/ income	\$6,837	\$510	\$1,018	\$8,365	(\$1,023)	\$7,342
Profit before income tax	(2,810)	(382)	(1,286)	(4,478)	46	(4,432)
Income tax expense	-	-	-	-	-	-
Profit for the period	(\$2,810)	(\$382)	(\$1,286)	(\$4,478)	\$46	(\$4,432)
<b>Six months ended 31 December 2007</b>						
Sales to external customers	4,661	277	131	5,069	-	5,069
Intersegment sales	326	-	-	326	(326)	-
Total sales revenue	4,987	277	131	5,395	(326)	5,069
Other revenue/income	299	103	593	995	(592)	403
Total segment revenue/ income	\$5,286	\$380	\$724	\$6,390	(\$918)	\$5,472
Profit before income tax	(3,785)	(154)	(322)	(4,261)	330	(3,931)
Income tax expense	-	-	-	-	-	-
Profit for the period	(\$3,785)	(\$154)	(\$322)	(\$4,261)	\$330	(\$3,931)



## 5. PLANT & EQUIPMENT AND INTANGIBLE ASSETS

	Plant & Equipment \$000s	Intangible Assets \$000s
<b>Six months ended 31 December 2007</b>		
Opening net book value as at 1 July 2007	2,244	2,619
Additions	297	684
Disposals	(4)	-
Depreciation and amortisation	(341)	(343)
Exchange adjustment	8	6
Closing net book amount as at 31 December 2007	<u>\$2,204</u>	<u>\$2,966</u>
<b>Six months ended 31 December 2007</b>		
Opening net book value as at 1 January 2008	2,204	2,966
Additions	894	361
Disposals	-	-
Depreciation and amortisation	(351)	(392)
Exchange adjustment	6	3
Closing net book amount as at 30 June 2008	<u>\$2,753</u>	<u>\$2,938</u>

## 6. WARRANTY PROVISION

	6 months ended 30 Jun 08 \$000s	6 months ended 31 Dec 07 \$000s
Carrying amount at start of period	156	157
Additional provisions recognised	15	102
Amounts used	(1)	(93)
Unused amounts reversed	(7)	(10)
Carrying amount at end of period	<u>\$163</u>	<u>\$156</u>

The Company sells electric motors with warranty periods of up to three years. The terms of the warranty provide that the Company will repair or replace items that fail to perform satisfactorily. A provision has been recognised based on historical data and average levels of repairs and warranty claims experienced by the industry with respect to similar products. It is expected that the provision will be utilised over a period of three years.

## 7. BANK FINANCE FACILITIES

	6 months ended 30 Jun 08 \$000s	6 months ended 31 Dec 07 \$000s
Trade Credit Finance Advances (secured)	<u>\$1,101</u>	<u>\$955</u>

The advances are secured by way of a debenture security over the Company's assets. Interest is payable at EURO and USD bank rates plus 1.25%.

Wellington has provided a guarantee to Yapi Kredi Bank, Turkey. Yapi Kredi Bank provides a credit line of up to US\$500,000 to Wellington Motor Teknolojileri San Tic Ltd Sti.



## 8. SHARE CAPITAL

	6 months ended 30 Jun 08 Shares	6 months ended 31 Dec 07 Shares	6 months ended 30 Jun 08 \$000s	6 months ended 31 Dec 07 \$000s
<b>(a) Ordinary shares</b>				
Opening balance of ordinary shares on issue	306,080,927	306,080,927	55,802	55,806
Issues of ordinary shares during the period				
- January 2008 issue at 10 cents for cash	31,000,000	-	12,723	(4)
Closing balance of ordinary shares issued	<u>337,080,927</u>	<u>306,080,927</u>	<u>\$68,525</u>	<u>\$55,802</u>

All ordinary shares are authorised, fully paid and have no par value. 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 shares held.

### (b) Share options (numbers)

Options outstanding at start of period	7,400,000	9,000,000
Granted	-	-
Exercised	-	-
Lapsed	-	(1,600,000)
Outstanding at end of period	<u>7,400,000</u>	<u>7,400,000</u>

Further details of share options granted are summarised below.

Vesting Date	Expiry date	Exercise price (cents)	Outstanding at December 2007 (numbers)	Outstanding at June 2007 (numbers)
28 Oct 05	9 Dec 08	31.7	500,000	500,000
13 Mar 07	27 Apr 10	50.4	4,900,000	4,900,000
20 Jun 07	30 Jul 10	49.4	2,000,000	2,000,000
			<u>7,400,000</u>	<u>7,400,000</u>

1. The stated exercise price has been adjusted for the effect of cash issues in December 2005 and in June 2007 in accordance with the terms of the Wellington Employees Share Option Plan.

At the Annual Meeting of the Company held on 17 June 2008, shareholders approved the issue of 1,400,000 part paid shares to Dr Ross Green, the Company's Chief Executive Officer. The issue of these part paid shares and others to senior management is pending, as of the date of this report.

## 9. CONTINGENCIES

As at 30 June 2008 the parent entity and Group had no contingent liabilities or assets (Dec 2007: \$nil).



## 10. RELATED PARTY TRANSACTIONS

### Key management and personnel and compensation

Key management personnel compensation for the six month period ended 30 June 2008 and six month period ended 31 December 2007 is set out below. The key management personnel are all the directors of the Company and the senior executives that report direct to the Board.

	<b>6 months ended 30 Jun 08</b>	<b>6 months ended 31 Dec 07</b>
	\$000s	\$000s
Salaries, fees and other short term benefits	819	717
Net share option compensation expensed	84	17
Bonuses	-	50
<b>Total</b>	<b>\$903</b>	<b>\$784</b>

## 11. EARNINGS PER SHARE

### (i) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>6 months ended 30 Jun 08</b>	<b>6 months ended 31 Dec 07</b>
Loss attributable to equity holders of the Company	(\$4,432,000)	(\$3,931,000)
Weighted average number of ordinary shares on issue (thousands)	333,334	306,081
Basic earnings per share	(1.33 cents)	(1.28 cents)

### (ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

	<b>30 Jun 08</b>	<b>31 Dec 07</b>
Loss attributable to equity holders of the Company	(\$4,432,000)	(\$3,931,000)
Weighted average number of ordinary shares on issue (thousands)	333,334	306,081
Adjustment for share options	-	-
Diluted earnings per share	(1.33 cents)	(1.28 cents)