

Novarise Renewable Resources International Limited

ACN 138 537 596

Half Year Report

Ended 30 June 2012

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Novarise Renewable Resources International Limited – Half Year Report

CORPORATE DIRECTORY

Novarise Renewable Resources International Limited ACN 138 537 596

Directors

Mr Qingyue Su (Chairman, Managing Director)
Mr Chung Yi So (Executive Director)
Mr Xiaobin Zhuang (Executive Director)
Mr Fai-Peng Chen (Independent Director)
Mr John Keiran O'Brien (Independent Director)
Mr Liandong Tu (Independent Director)

Company Secretary

Ms Winnie Chen
Mr Xiaobin Zhuang

Registered Office

Suite 5, Level 1, 325 Pitt Street,
Sydney, AUSTRALIA, 2000

Australian Business Office

Suite 5, Level 1, 325 Pitt Street,
Sydney, AUSTRALIA, 2000

China Business Office

Address: No.2-16A Quanzhou Economy & Technology Development Zone(QingMeng), P.R. China 362005
Telephone: 86 595 22353329
Fax: 86 595 22353392

Bankers

ANZ Bank
8/20 Martin place, Sydney 2000, Australia

China Construction Bank
Quanzhou Bincheng Branch
No. 10-14 Haosheng Garden, Pingshan Road, Quanzhou, P.R. China

Share Registrar

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide, SA 5000
Telephone: 1300 787 272

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Australia

Internet Address

<http://www.novarise.com.au/>

Novarise Renewable Resources International Limited – Half Year Report
Appendix 4D

HALF YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A

Name of entity

NOVARISE RENEWABLE RESOURCES INTERNATIONAL LIMITED

ABN

48 138 537 596

Reporting period

Half Year ended 30 June 2012

Previous corresponding period

Half Year ended 30 June 2011

The information contained in this report should be read in conjunction with the most recent annual financial report.

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Consolidated Financial Statements

For the Period Ended 30 June 2012

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue from continuing operations	UP	8	%	To \$36,315,590
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Profit from ordinary operations after income tax attributable to members	UP	7	%	To \$7,790,272
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Net profit for the period attributable to members	UP	7	%	To \$7,790,272
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Net tangible asset value per share	As at 30 June 2012	\$0.19
	As at 30 June 2011	\$0.17

2. REVIEW OF OPERATIONS

A review of operations is included in the Directors' Report.

3. DETAILS OF CONTROLLED ENTITIES

No gain or lose control of entities incurred in the period.

4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group has no associates or joint venture entities.

5. DIVIDENDS

No dividend was paid or proposed for the period to 30 June 2012 or the comparative period.

6. AUDIT DISPUTES OR QUALIFICATIONS

There are no audit disputes or qualifications.

7. ACCOUNTING STANDARDS

Australian Accounting Standards have been used in complying the information contained in Appendix 4D.

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Consolidated Financial Statements

For the Period Ended 30 June 2012

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Consolidated Financial Statements

For the Half Year Ended 30 June 2012

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Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Directors' Report

30 June 2012

Your directors present their Report on the Company and its subsidiaries (the Group) for the half year ended 30 June 2012

1. General information

Directors

The directors in office at any time during, or since the end of, the period are:

Mr Qingyue Su

Mr Chung Yi So

Mr Xiaobin Zhuang

Mr Liandong Tu

Mr Fai-Peng Chen

Mr John O'Brien

2. Business review

Review of operations

Business Report in the First Half Year of 2012

The plant construction of Nan'an subsidiary has been completed in the first half year of 2012. The machinery and equipment are in the installation and commissioning phase. It is expected to be put into the trial and the full production in the second half year of 2012.

Pictures below were recently taken and show the construction site of Nan'an subsidiary.



Novarise Renewable Resources International Limited and its Subsidiaries

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Directors' Report (continued)

30 June 2012



During this first half year of 2012, Fujian Sungreen Eco-friendly Technology Co., Ltd, a subsidiary of Fujian Sanhong Renewable Resources Technology Co.,Ltd, made progress in the business negotiation with several leading hotels and signed several long-term cooperation agreements for the sale of products.

Due to the advanced technology and equipment as well as the lower production cost, Novarise remains competitive in terms of both price and quality with other competing polypropylene enterprises. In the first half year of 2012, the recycled feedstock consumption ratio has reached 57%, which has contributed to reduction in the production costs. The recycled feedstock consumption rate is forecast to reach 70% by the end of 2012, which will further improve profit margins.

In addition, the Research and Development department is developing improvements to the filter technology used in the production process. This technology is to provide a spiral filter that can increase the flow of raw materials in the filtration process and prevent blockages and improves the utilization of raw materials.

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Directors' Report (continued)

30 June 2012

Review of financials

A summary of the consolidated revenues and results by significant industry segment is set out below:

	Segment Revenues		Segment Result – Gross Profit	
	2012	2011	2012	2011
	\$	\$	\$	\$
Polypropylene yarns	5,866,159	5,992,454	1,408,993	1,202,236
Polypropylene straps and ropes	27,315,459	24,012,830	9,232,159	8,383,845
Recycled Polypropylene pellets	3,072,745	3,314,966	990,487	685,056
Polypropylene cloths	61,227	264,489	22,858	72,433
	<u>36,315,590</u>	<u>33,584,739</u>	<u>11,654,497</u>	<u>10,343,570</u>

The results of the first half year of 2012 and 2011 are listed below:

The Group recorded sales revenue of \$36,315,590 (or RMB 236 million) for the 6 months period to June 2012, compared to \$33,584,739 (or RMB 227 million) for the corresponding period of 2011. This represents an increase of 8% in A\$ or 4% in RMB.

The net profit after tax for the 6 months to June 2012 was \$7,790,272 (or RMB 50,691,309) compared to previous corresponding period of 2011 of \$7,268,014 (or RMB 49,211,280), an increase of 7% in A\$ and an increase of 3% in RMB.

The discrepancies in the percentages between reporting currency in Australian Dollars and the functional currencies for the previous corresponding periods of 2011 and 2012 was due to the exchange rate as the Australian Dollars declined against RMB by 4%, during the comparison period.

The Group is experiencing optimum utilization of its production capacities in its current production facilities in Quanzhou. As the production commences in phases in the new Nan'an facility in this current quarter, the Company expects utilization to be remain optimum for the remaining months of 2012. The company expects only minimum disruption as it relocates its production gradually to the new Nan'an facility.

Outlook and Prospect for Second Six Months of 2012

Driven by strong demands for its recycled polypropylene ('PP') yarn and other finished products, the Group anticipates that its production and utilization will be near full capacity for the remainder of calendar year 2012 and this trend is expected to continue for first half of 2013.

The demand for PP yarn is expected to remain strong in China with strong domestic demands and export of premium PP yarn finished products such as laptop bags and tents etc remain strong.

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Directors' Report (continued)

30 June 2012

There are 4 new production lines under the installation at Nan'an plant. One of the production lines is preparing for trial operation. The Group anticipates that all 4 production lines will be installed at the end of December 2012. The advanced and integrated production lines at the new plant will improve the efficiency of the manufacturing process of producing PP yarn from PP recycled waste materials. Once fully operational, the Group will become one of the largest manufacturer of PP yarn in China by output and the only manufacturer using PP waste to produce PP yarn.

For the remainder of the current year, the Group is focused on:

- Completion and commissioning of the Nan'an project;
- Expanding its sales and marketing network within China and international markets;
- Establishing its procurement networks for PP waste in China and other countries;
- Undertaking marketing activities to promote the Group as the producer of green and environmentally friendly PP yarn;
and
- Maintaining and strengthening its overall market position and core competitiveness through technological innovation and expansion in production and growth strategies in both China and internationally.

3. Auditors Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on Page 10 to this half year financial statements.

This report is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:

Chairman:



Mr Qingyue Su

Quanzhou, P.R. China

Dated this 30th day of August 2012

30 August 2012

Novarise Renewable Resources International Limited
Suite 5, Level 1
325 Pitt Street
SYDNEY NSW 2000

Dear Sirs

**DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF
NOVARISE RENEWABLE RESOURCE INTERNATIONAL LIMITED**

As lead auditor for the review of Novarise Renewable Resources International Limited for the half-year ended 30 June 2012, I declare that, to the best of my knowledge and belief, the only contraventions of:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Novarise Renewable Resources International Limited and the entities it controlled during the period.



Wayne Basford
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Consolidated Financial Statements

For the Period Ended 30 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Consolidated Entity	
	Half – Year	
	2012	2011
	\$	\$
Sales revenue	36,315,590	33,584,739
Cost of sales	(24,661,093)	(23,241,169)
Gross profit	11,654,497	10,343,570
Interest revenue	2,146,468	349,596
Other income	331,127	66,301
Distribution expenses	(85,494)	(176,031)
Marketing expenses	(298,793)	(99,841)
Administration expenses	(1,151,068)	(1,707,057)
Occupancy expenses	(76,451)	(77,368)
Finance costs	(2,601,220)	(200,227)
Other expenses	(28,635)	(76,427)
Profit before income tax expense	9,890,431	8,422,516
Income tax expense	(2,100,159)	(1,154,502)
Net profit for the half-year	7,790,272	7,268,014
Other comprehensive income		
Foreign currency translation differences	733,870	(1,248,524)
Other comprehensive income for the half-year, net of tax	733,870	(1,248,524)
Total comprehensive income for the half-year	8,524,142	6,019,490
Profit for the half-year is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	7,790,272	7,268,014
	<u>7,790,272</u>	<u>7,268,014</u>
Total comprehensive income for the half-year is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	8,524,142	6,019,490
	<u>8,524,142</u>	<u>6,019,490</u>
Earnings per share for profit attributable to owners of Novarise Renewable Resources International Limited		
Basic earnings per share	1.88 cents	1.75 cents
Diluted earnings per share	1.88 cents	1.75 cents

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Consolidated Financial Statements

For the Period Ended 30 June 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Notes	Consolidated Entity	
		30 June 2012 \$	31 December 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		4,331,306	7,067,316
Term deposits with maturity over three months		26,422,833	62,824,805
Trade and other receivables	4	93,732,292	75,305,556
Inventories		8,025,766	5,487,091
Other assets		7,439,708	6,439,960
TOTAL CURRENT ASSETS		139,951,905	157,124,728
NON-CURRENT ASSETS			
Long term deposits with maturity over three months		10,898,396	-
Property, plant and equipment		56,185,568	47,185,487
Lease prepayments		7,086,777	7,103,520
Long-term prepayment for property, plant and equipment		9,785,229	8,013,746
Deferred tax assets		204,002	100,113
TOTAL NON-CURRENT ASSETS		84,159,972	62,402,866
TOTAL ASSETS		224,111,877	219,527,594
CURRENT LIABILITIES			
Trade and other payables		13,777,273	15,352,159
Borrowings		107,694,073	112,468,410
Current tax liabilities		1,632,873	2,279,606
Other liabilities		2,219,520	2,604,861
TOTAL CURRENT LIABILITIES		125,323,739	132,705,036
NON-CURRENT LIABILITIES			
Borrowings		17,377,442	14,637,250
Deferred tax liabilities		1,122,105	420,859
TOTAL NON-CURRENT LIABILITIES		18,499,547	15,058,109
TOTAL LIABILITIES		143,823,286	147,763,145
NET ASSETS		80,288,591	71,764,449
EQUITY			
Contributed equity		32,066,227	32,066,227
Reserves		13,992,171	6,024,290
Retained earnings		34,230,193	33,673,932
TOTAL EQUITY		80,288,591	71,764,449

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Consolidated Financial Statements

For the Period Ended 30 June 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2012

CONSOLIDATED ENTITY	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2011	32,066,227	19,335,349	6,493,064	(5,533,010)	52,361,630
Total comprehensive income for the half-year					
Profit for the half-year	-	7,268,014	-	-	7,268,014
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(1,248,524)	(1,248,524)
Total comprehensive income for the half-year	-	7,268,014	-	(1,248,524)	6,019,490
Appropriation to surplus reserves	-	(1,082,206)	1,082,206	-	-
Transactions with owners in their capacity as owners	-	(1,082,206)	1,082,206	-	-
At 30 June 2011	32,066,227	25,521,157	7,575,270	(6,781,534)	58,381,120
Total comprehensive income for the half-year					
Profit for the half-year	-	9,736,192	-	-	9,736,192
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	3,647,137	3,647,137
Total comprehensive income for the half-year	-	9,736,192	-	3,647,137	13,383,329
Appropriation to surplus reserves	-	(1,583,417)	1,583,417	-	-
Transactions with owners in their capacity as owners	-	(1,583,417)	1,583,417	-	-
At 31 December 2011	32,066,227	33,673,932	9,158,687	(3,134,397)	71,764,449
Total comprehensive income for the half-year					
Profit for the half-year	-	7,790,272	-	-	7,790,272
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	733,870	733,870
Total comprehensive income for the half-year	-	7,790,272	-	733,870	8,524,142
Appropriation to surplus reserves	-	(7,234,011)	7,234,011	-	-
Transactions with owners in their capacity as owners	-	(7,234,011)	7,234,011	-	-
At 30 June 2012	32,066,227	34,230,193	16,392,698	(2,400,527)	80,288,591

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

Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Consolidated Financial Statements

For the Period Ended 30 June 2012

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Consolidated Entity Half – Year	
	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	42,312,917	35,937,202
Payments to suppliers and employees	(37,336,031)	(35,039,184)
Interest received	226,223	368,107
Interest paid	(740,775)	(134,085)
Income tax paid	(2,170,742)	(754,527)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,291,592	377,513
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in term deposits with maturity over 3 months	25,650,548	(1,614,483)
Increase in long-term deposits	-	(252,759)
Payments for purchase of property, plant and equipment	(13,384,110)	(13,130,799)
Payments for land use rights	-	(1,993,815)
Payment for capitalised interest	(497,397)	(732,581)
Loans to third parties	(30,136,031)	(5,598,097)
Loan repayments made by third parties	14,840,811	-
Loans to related parties	-	(1,420,778)
NET CASH USED IN INVESTING ACTIVITIES	(3,526,179)	(24,743,312)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	67,996,947	79,796,044
Repayment of borrowings	(55,705,323)	(33,640,412)
Loans from related parties	1,556,487	2,822,881
Repayment of loans to third parties	(15,368,065)	(4,595,776)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(1,519,954)	44,382,737
NET (DECREASE)/ INCREASE IN CASH HELD	(2,754,541)	20,016,938
Effect of exchange rate changes on the balance of cash held in foreign currency	18,531	(377,019)
Cash and cash equivalents at beginning of the period	7,067,316	6,532,233
CASH AT END OF PERIOD	4,331,306	26,172,152

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year reporting period ended 30 June 2012 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The historical cost basis has been used.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2011 and any public announcements made by Novarise Renewable Resources International Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

2. Going Concern

The Group is mainly engaged in the processing of PP yarn, PP straps and other related green products by using recycled waste plastics. Since 2008 the Group's R&D department has focused on developing environmentally-friendly products, and, to date, more than 10 product ranges have been successfully produced. The R&D department will keep researching and developing new items to meet the market demands and business expansion targets of the Group.

Driven by the preferential policies of the Chinese Government in favour of renewable resources and the 'circular economy', the Group believes that its business will continue to grow. The Nan'an facility is expected to be put into production in the second half of the year 2012. Equipped with a world-class production facility, the Nan'an factory will greatly improve the quality and quantity of the Group's products.

For these reasons along with the strong balance sheet position, the Board believes that the Group will remain a going concern. It is forecast that in the 4th quarter of 2012 and throughout 2013, the Group will continue to grow profitably and within its means.

The half-year's financial report of the Group has been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business. The Group has RMB 690,232,850 (\$107,694,073) in short-term borrowings due for renewal or repayment between July 2012 and April 2013.

It is anticipated that completion of the Nan'an project will require further funds of approximately \$28M (RMB180M) as well as additional funds to fund working capital as the plant comes on stream in the second half of the year 2012.

As at 30 June 2012, the Group has current assets of \$139,951,905 which includes \$67,441,360 of loans receivable from third parties which are expected to be repaid by 31 December 2012.

Despite the current level of short-term borrowings, management is confident that the Group will have sufficient available funds to bring the Nan'an plant into production. Management is also confident that they can renew all of these borrowings as required and generate positive cash flows from the Group's existing operations. Management also believes that the Borrower will be able to successfully refinance its business and will therefore be in a position to repay its loan (including interest receivables) to the Group at the due date.

Notes to the Consolidated Financial Statements (continued)

3. Segment Reporting

Management has determined the operating segments based on reports reviewed by the chief operating decision makers for making strategic decision. The chief operating decision makers comprise the managing director, finance director and other directors. The chief operating decision makers monitor the business based on product factors and have identified 3 reportable segments. The basis of determining segments has not changed from the last annual financial statements.

Type of products

Polypropylene yarns: Sale of polypropylene yarns to international customers as well as customers located in mainland China and Hong Kong.

Polypropylene straps and ropes: Sale of polypropylene straps and ropes to international customers as well as customers located in mainland China and Hong Kong.

Recycled polypropylene pellets: Sale of polypropylene pellets produced from recycled materials to customers located in mainland China.

Segment information

Segment information provided to the board of directors is as follows:

	Polypropylene yarns	Polypropylene straps and ropes	Recycled Polypropylene pellets	Total
	\$	\$	\$	\$
Half-year ended 30 June 2012				
Total segment revenue	5,866,159	27,315,459	3,072,745	36,254,363
Revenue from external customers	5,866,159	27,315,459	3,072,745	36,254,363
Gross profit	1,408,993	9,232,159	990,487	11,631,639
Half-year ended 30 June 2011				
Total segment revenue	5,992,454	24,012,830	3,314,966	33,320,250
Revenue from external customers	5,992,454	24,012,830	3,314,966	33,320,250
Gross profit	1,202,236	8,383,845	685,056	10,271,137

Notes to the Consolidated Financial Statements (continued)

3. Segment Reporting (continued)

The board of directors monitors segment performance based on gross profit. This measure excludes interest revenue and other operational and non-operational expenses. This basis of measuring segment profit or loss has not changed from the last annual financial statements.

Reconciliation of adjusted gross margin to profit before income tax is as follows:

	Consolidated Half – Year	
	30 June 2012	30 June 2011
	\$	\$
Gross profit	11,631,639	10,271,137
Gross profit from unallocated sales	22,858	72,433
Gross profit per Statement of Comprehensive Income	<u>11,654,497</u>	<u>10,343,570</u>
Interest revenue	2,146,468	349,596
Other income	331,127	66,301
Distribution expense	(85,494)	(176,031)
Marketing expense	(298,793)	(99,841)
Administration expense	(1,151,068)	(1,707,057)
Occupancy expense	(76,451)	(77,368)
Finance costs	(2,601,220)	(200,227)
Other expenses	(28,635)	(76,427)
Profit before income tax	<u><u>9,890,431</u></u>	<u><u>8,422,516</u></u>

4. Trade and other receivables

	Consolidated Entity	
	30 June 2012	31 December 2011
	\$	\$
Current		
Trade receivables	10,601,330	10,225,245
Other receivables	15,689,602	2,164,658
Loan to third parties (a)	67,441,360	62,915,653
	<u><u>93,732,292</u></u>	<u><u>75,305,556</u></u>

(a) Loan to third parties

Included above is an unsecured loan to a third party of \$44,261,806 which is repayable on 31 December 2012. It includes \$41,097,173 bearing an interest rate of 12%, and the remaining balance of \$3,164,633 is interest free.

The remaining balance of loans to other third parties is interest free, and is neither past due nor impaired.

The Group does not hold any collateral in relation to the receivables (2011: nil).

5. Dividends

No dividend was paid or proposed for the period to 30 June 2012 (half-year ended 30 June 2011: Nil)

6. Revisions in Estimates

During the half-year ended 30 June 2012, there were no major changes in estimates made.

Notes to the Consolidated Financial Statements (continued)

7. Seasonality and Irregular Trends

The sales of goods are dependent on the ability of the Group to obtain sales orders from both existing and potential customers. Sales are not seasonally affected but are more market driven.

8. Equity Securities Issued

During the half-year ended 30 June 2012, there were no shares issued.

9. Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 31 December 2011.

10. Acquisitions from entities under Common Control

There were no acquisitions incurred in the half-year ended 30 June 2012.

11. Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

DECLARATION BY DIRECTORS

The directors of the company declare that:

- (a) The financial statements and notes set out on page 11 to 18 are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date.

- (b) In the directors' opinion, there are reasonable grounds to believe that the Company 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 Board of Directors and is signed for and behalf of the directors by:



Qingyue Su
Director

Quanzhou P.R. China
30 August 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NOVARISE RENEWABLE RESOURCES INTERNATIONAL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Novarise Renewable Resources International Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 Novarise Renewable Resources International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 of the financial report, which indicates that the consolidated entity has \$107,694,073 of short-term borrowing due for renewal or repayment between July 2012 and April 2013, and a requirement for further funds of approximately \$28 million to complete the Nan'an project as well as additional funds to fund additional working capital as the plant comes on stream in the second half of the year 2012. In addition, there is an unsecured receivable of \$67,441,360 due for an unrelated company (the "Borrower") due to be repaid in full by 31 December 2012.

Should the consolidated entity be unsuccessful in renewing existing borrowings or obtaining new funding as required and the receivable due from the Borrower is not recovered in full by the due date there is a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford', with a long horizontal flourish extending to the right. Above the signature, the letters 'BDO' are written in a simple, hand-drawn style.

Wayne Basford
Director

Perth, Western Australia
Dated this 30th day of August 2012