ABN 73 122 948 805

ANNOUNCEMENT TO AUSTRALIAN SECURITIES EXCHANGE

31 August 2009

General Manager
The Company Announcements Office
Australian Securities Exchange

Appendix 4D
Half-Year Report Period ending 30 June 2009

The following information is provided to ASX under listing rule 4.2A.3.

1. The reporting period is the half year ended 30 June 2009 including comparative information for the half-year ended 30 June 2008.

2. **Results for announcement to the market**

2.1 There was revenue of $1,056,718 in the previous corresponding period. The revenue for the period ended 30 June 2009 was $3,248,115. This is an increase of 48 per cent from last year.

2.2 There was a loss of $471,353 in the previous corresponding period. The loss for the period ended 30 June 2009 was $26,100. This is an increase in profit of 94 per cent.

2.3 There was profit and loss attributable to members in the previous corresponding period of $471,353. The loss attributable to members for the period ended 30 June 2009 was $26,100. This is an increase in profit attributable to members of 94 per cent.

2.4 The amount per security and franked amount per security of final and interim dividends was nil.

2.5 The record date for determining entitlements to the dividends (if any) was not applicable.

2.6 Please refer to the attached Half-Year Report 2009 for explanation of the figures in 2.1 to 2.4.

Registered Office
Level 3, 100 Pirie Street, Adelaide SA 5000
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3. Net tangible assets for the previous corresponding period was $8,661,531 resulting in net tangible assets per security to be $0.08. Net tangible assets for the period ended 30 June 2009 was $7,214,070 resulting in net tangible assets per security to be $0.06.

4. There were no entities over which control has been gained or lost during the period.

5. Details of individual and total dividends or distributions and dividend or distribution payments – not applicable.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan – not applicable.

7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities – not applicable.

8. The Company is not a foreign entity.

9. The Half-Year Report 2009 is based upon accounts that were reviewed by the Company's Auditor.

Yours faithfully

Rajita Alwis
Company Secretary

islandsky®
WATER MAKING MACHINES

ABN 73 122 948 805

INTERIM FINANCIAL REPORT 2009

Island Sky Australia Limited and Controlled entity

ABN 73 122 948 805

CONTENTS

Island Sky Australia Limited and Controlled entity

ABN 73 122 948 805

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 30TH JUNE 2009

Your Directors present their report on the Company and its controlled group for the half-year ended 30th June 2009.

Directors

The names of Directors who held office during or since the end of the half-year:

David John Lindh

Richard Jay Groden

Heinz Josef Niedermaier

Michael Murphy Paragon

Neville Wayne Martin

Terry Lee Polistina

Review of Operations

In March 2009 the consolidated group had fulfilled all patent conditions under its exclusive licensing agreement with Salton Inc. This resulted in the group receiving the remaining US$2 million of the US$5 million licence fee from Salton.

The Skywater300 was showcased to the US Military earlier in the year and Island Sky was asked to develop a cube-shaped design of the machine that met Military standards. Once the fabrication of the prototype was complete, the unit was showcased to the US Military at the Army Quartermaster Symposium at Fort Lee, Virginia. The Military was impressed with the simplicity and energy efficiency of the Skywater300 unit and they agreed to continue working with Island Sky to provide very specific Military requirements for implementation. The Military agreed to facilitate testing of the unit at its Aberdeen, MD facility.

Product visibility continued to grow through trade shows and marketing efforts. The sales and marketing staff attended the AquaTech trade show in Amsterdam, along with the National Builders Association show in Las Vegas. The marketing staff also attended the WETEX 2009 Water Energy and Technology and Environment Exhibition during late March.

In mid June Richard Groden travelled to South Africa to learn the procedures for acceptance in the South African marketplace. Island Sky was please to find out that they accepted the CE Laboratories test and that there are only minor procedures to obtain product approval. The trip resulted in securing a new US$ 18 million distribution agreement covering 20 countries across Africa.

Additional distribution agreements secured during the interim period include GSF Solar Group SAT, Vergaon Italia SRL and Morbell Investment Solutions.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 2 of the half-year ended 30 June 2009.

This report is signed in accordance with a resolution of the Board of Directors.

David Lindh, Director

Dated this day 31 day of August 2009

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67 Greenhill Rd
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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ISLAND SKY AUSTRALIA LIMITED AND CONTROLLED ENTITIES

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Island Sky Australia Limited for the half-year ended 30 June 2009, 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.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J Gray
Partner

Signed at Adelaide on this 31st day of August 2009

Island Sky Australia Limited and Controlled entity

ABN 73 122 948 805

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group	
		30.06.09	**30.06.08**
		$	**$**
Revenue	2	3,248,115	1,056,718
Other income		95,904	92,615
Changes in inventories of finished goods and work in progress		(219,408)	(40,062)
Distribution		(5,836)	(8,932)
Marketing		(373,546)	(26,082)
Depreciation expense		(83,808)	(31,662)
Occupancy		(104,586)	(34,115)
Administration	2	(595,667)	(243,655)
Professional fees		(471,239)	(390,510)
Employee Expenses		(1,431,041)	(754,536)
Other expenses	2	(71,232)	(81,444)
Small tools & equipment		(9,084)	(7,113)
Finance costs		(3,784)	(2,575)
(Loss)/Profit before income tax		(25,212)	(471,353)
Income tax receipt/(expense)		(888)	-
(Loss)/Profit for the year from continuing operations		(26,100)	(471,353)
(Loss)/Profit for the period		(26,100)	(471,353)
Other comprehensive income			
Foreign Currency Translation Adjustment gain/(loss)		(1,607,663)	(151,887)
Total comprehensive income for the period		(1,633,763)	(623,240)
Profit attributable to:			
Members of the parent entity		(26,100)	(471,353)
Total comprehensive income attributable to:			
Members of the parent entity		(1,633,763)	(623,240)
Overall and Continuing Operations			
Basic earnings per share (cents per share)		(0.02)	(0.0043)
Diluted earnings per share (cents per share)		(0.02)	(0.0043)

The accompanying notes form part of these financial statements.

Island Sky Australia Limited and Controlled entity

ABN 73 122 948 805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

	Note	Consolidated Group	
		30.06.09 $	31.12.08 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,637,906	6,882,737
Trade and other receivables		21,429	42,708
Financial Assets		341,825	398,393
Inventories		1,424,277	312,108
Other assets		654,934	119,980
TOTAL CURRENT ASSETS		6,080,371	7,755,926
NON-CURRENT ASSETS			
Plant and equipment		226,872	175,680
Other non-current assets		1,237,743	1,442,573
Intangible assets		1,936,250	2,122,552
TOTAL NON-CURRENT ASSETS		3,400,865	3,740,805
TOTAL ASSETS		9,481,236	11,496,731
CURRENT LIABILITIES			
Trade and other payables		301,169	685,371
Provisions		29,747	27,277
TOTAL CURRENT LIABILITIES		330,916	712,648
TOTAL LIABILITIES		330,916	712,648
NET ASSETS		9,150,320	10,784,083
EQUITY			
Issued capital		12,940,569	12,940,569
Reserves		(439,831)	1,167,832
Retained earnings		(3,350,418)	(3,324,318)
TOTAL EQUITY		9,150,320	10,784,083

The accompanying notes form part of these financial statements.

Island Sky Australia Limited and Controlled entity

ABN 73 122 948 805

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2009

	Issued Capital Ordinary	Reserves	Retained Earnings	Total
	$	$	$	$
CONSOLIDATED GROUP				
Balance at 1 January 2008	8,871,078	314,758	(3,525,587)	5,660,249
Total comprehensive income for the period	-	(151,887)	(471,353)	(623,240)
Balance at 30 June 2008	8,871,078	162,871	(3,996,940)	5,037,009

	Issued Capital Ordinary	Reserves	Retained Earnings	Total
CONSOLIDATED GROUP				
Balance at 1 January 2009	12,940,569	1,167,832	(3,324,318)	10,784,083
Total comprehensive income for the period	-	(1,607,663)	(26,100)	(1,633,763)
Balance at 30 June 2009	12,940,569	(439,831)	(3,350,418)	9,150,320

Island Sky Australia Limited and Controlled entity

ABN 73 122 948 805

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2009

	Consolidated Group	
	30.06.09	**30.06.08**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,281,477	1,056,727
Payments to suppliers and employees	(5,208,018)	(2,573,089)
Finance Costs	(3,784)	-
Interest received	95,904	87,875
Net cash provided by (used in) operating activities	(1,834,421)	(1,428,487)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(438,449)	-
Purchase of property, plant and equipment	(156,742)	(4,016)
Net cash provided by (used in) investing activities	(595,191)	(4,016)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of share issue costs	-	(10,292)
Net cash provided by (used in) financing activities	-	(10,292)
Net increase in cash held	(2,429,612)	(1,442,795)
Cash at beginning of financial year	6,882,737	4,138,469
Effect of exchange rates on cash holdings in foreign currencies	(851,219)	(44,273)
Cash at end of financial year	3,637,906	2,651,401

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 30 June 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Island Sky Australia Limited and its controlled entity (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2008, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in the interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new revised Accounting Standards.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosure required by these Standards that are deemed material have been included in the financial report on the basis that they represent a significant change in information from what was previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of ‘other comprehensive income’. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- Other financial statements are renamed in accordance with the Standard; and
- Presentation of a third statement of Financial Position as the beginning of a comparative financial year were relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group’s chief operating decision makers which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position.

Reporting Basis and Conventions

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. **Intangibles**

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

NOTE 1: BASIS OF PREPARATION

Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs of materials, services, direct labour and an appropriate proportion of overheads where can be readily measured. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

b. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the consolidated group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the consolidated group's presentation currency are translated as follows:

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated group's foreign currency translation reserve in the balance sheet.

c. **Contributed Equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

d. **Revenue**

Revenue is measures at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

NOTE 1: BASIS OF PREPARATION

f. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated group.

Key Estimates — Impairment

The consolidated group assesses impairment at each reporting date by evaluating conditions specific to the consolidated group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

No impairment has been recognised in respect of research and development as the projects' commercial and technical feasibility and costs do not indicate that impairment is required.

NOTE 2: (LOSS)/PROFIT FOR THE PERIOD

	Consolidated Group	
	30 June 2009 $	30 June 2008 $
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Revenue		
Licensing Fees	3,016,280	1,050,790
Sales Revenue	231,835	-
	3,248,115	
Expenses		
Other Expenses:		
— Development Costs	71,232	76,900
— Foreign currency translation losses/(gains)	-	4,544
Total Other Expenses	71,232	81,444
Administration		
— Travel, accommodation and entertaining	304,874	198,479
— Other	290,793	45,176
Total Administration costs	595,667	243,655

NOTE 3: OPERATING SEGMENTS

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Consolidated Group's operations is the marketing and development of USA Patented, high capacity, energy efficient air-to-water making machines which draws water vapour from the air and converts it into drinking water. The Consolidated Group's business segments are located in Australia with the manufacturing and development subsidiary being located in United States of America. The Skywater14 units are manufactured at Protel Pacific Corporation, a full service contract manufacturer with two manufacturing facilities in China and engineering facilities in USA. The Consolidated Group has a five-year manufacturing agreement with Protel Pacifc Corporation and has identified an operating segment in Asia for the half-year ended 30 June 2009.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set annually and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Groups financial statements.

Corporate charges are allocated based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*Unallocated item*s

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense; and
- deferred tax assets and liabilities;

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(i) Segment performance

	Australia	United States of America	Asia	Total
Six months ended 30.06.2009	$	$	$	$
Revenue				
External Sales	-	3,248,115	-	3,248,115
Inter-segment sales	1,407,646	-	-	1,407,646
Interest revenue	54,330	41,574	-	95,904
Total segment revenue	1,461,976	3,289,688	-	4,751,665
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	-	-	-	(1,407,646)
Total group revenue	-	-	-	3,344,019
Segment net profit before tax	847,561	(872,773)	-	(25,212)
Reconciliation of segment result to group net profit/(loss) before tax				
Net profit before tax from continuing operations	-	-	-	(25,212)

(i) Segment performance

	Australia	United States of America	Asia	Total
Six months ended 30.06.2008	$	$	$	$
Revenue				
External Sales	-	1,056,718	-	1,056,718
Inter-segment sales	-	-	-	-
Interest revenue	92,615	-	-	92,615
Total segment revenue	92,615	1,056,718	-	1,149,333
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	-	-	-	-
Total group revenue	-	-	-	1,149,333
Segment net profit before tax	(319,785)	(151,568)	-	(471,353)
Reconciliation of segment result to group net profit/(loss) before tax				
Net profit before tax from continuing operations	-	-	-	(471,353)

(ii) Segment assets

30.06.2009	Australia $	United States of America $	Asia $	Total $
Segment Assets	10,153,726	4,971,276	1,933,685	17,058,687
Segment asset increases for the period:				
• Property, Plant & Equipment	-	156,742	-	156,742
• Patent & Development Costs	-	438,449	-	438,449
	-	595,191	-	595,191
Reconciliation of segment assets to group assets				
Inter-segment eliminations	(7,577,451)	-	-	(7,577,451)
Total group assets from continuing operations	2,576,275	4,971,276	1,933,685	9,481,236

(ii) Segment assets

31.12.2008	Australia $	United States of America $	Asia $	Total $
Segment Assets	9,562,251	4,906,289	1,442,573	15,911,113
Segment asset increases for the period:				
• Property, Plant & Equipment	-	-	-	-
• Patent & Development Costs	-	4,016	-	4,016
		4,016		4,016
Reconciliation of segment assets to group assets				
Inter-segment eliminations	(4,414,382)	-	-	(4,414,382)
Total group assets from continuing operations	5,147,869	4,906,289	1,442,573	11,496,731

(iii) Segment liabilities

30.06.2009	Australia $	United States of America $	Asia $	Total $
Segment liabilities	75,517	7,365,648	-	7,441,165
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	(7,110,249)	-	(7,110,249)
Total liabilities from continuing operations	75,517	255,399	-	330,916

(iii) Segment liabilities cont	**Australia**	**United States of America**	**Asia**	**Total**
3.12.2008	**$**	**$**	**$**	**$**
Segment liabilities	281,604	4,328,225	-	4,609,829
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	(3,897,181)	-	(3,897,181)
Total liabilities from continuing operations	281,604	431,044	-	712,648

NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE

No matters have arisen since the end of the period that significantly affects the operations of the company, the results of these operations, or the state of affairs of the company in future years.

NOTE 5: CONTINGENT LIABILITES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 6: COMPANY DETAILS

The registered office of the company is:

Island Sky Australia Limited
Level 3
100 Pirie Street
Adelaide SA 5000
Telephone (08) 8232 2550
Facsimile (08) 8232 2540

The principal places of business are:

USA Office - Island Sky Corporation Inc.
3288 North 29th Court
Hollywood
Florida 33020
United States of America

Australia Office – Island Sky Australia Limited
Level 3
100 Pirie Street
Adelaide SA 5000
Australia

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 3 to 14:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the economic entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date.

2.. 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.

David Lindh

Chairman

Dated this 31 day of August 2009

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ISLAND SKY AUSTRALIA LIMITED

We have reviewed the accompanying half-year financial report of Island Sky Australia Limited (the Company) which comprises the consolidated financial statements being the statement of financial position as at 30 June 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the company 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 company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 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 Island Sky Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ISLAND SKY AUSTRALIA LIMITED Cont

Auditor's responsibility Cont

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 complied with the independence requirements of the Corporations Act 2001.

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 Island Sky Australia 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 2009 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.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J Gray
Partner

Signed at Adelaide on this 31st day of August 2009