



RECLAIM

ANNUAL
REPORT

2012

Reclaim Industries Limited

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Corporate Directory

Directors	Ms Jennifer King (resigned 12 April 2012) Mr John Crosby (resigned 13 March 2012) Mr Stephen Hewitt-Dutton (appointed 13 March 2012) Mr KC Ong (appointed 13 March 2012) Mr Bruce Franzen (appointed 13 March 2012)
Company Secretary	Miss Deborah Ho
Registered Office	Level 14, 45 William Street MELBOURNE VIC 3000
Share Registry	Security Transfer Registrars Pty Limited 770 Canning Highway, APPLECROSS WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233
Website	www.reclaimindustries.com.au
Place of Incorporation	Western Australia
Principal Place of Business	Level 24, 44 St Georges Terrace PERTH WA 6000 Telephone: (08) 6211 5099 Facsimile: (08) 9218 8875
Auditors	Deloitte Touche Tohmatsu Level 17, 11 Waymouth Street, ADELAIDE SA 5000 Telephone: (08) 8407 7000 Facsimile: (08) 8407 7001
Solicitors	Price Sierakowski Corporate Level 24, 44 St Georges Terrace PERTH WA 6000
Banker	National Australia Bank Limited Ground Floor, 100 St Georges Terrace PERTH WA 6000
Stock Exchange	ASX Limited Exchange Plaza, 2 The Esplanade PERTH WA 6000
ASX Code	RCM



Directors' Report

The directors of Reclaim Industries Limited present their annual report of Reclaim Industries Limited and its subsidiaries ("the Group" or "Consolidated entity") for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

These Financial Statements cover the year ended 30 June 2012. On 17 February 2011, a creditor appointed David Ross, Richard Albarran and Blair Pleash of Hall Chadwick Chartered Accountants as Joint and Several Administrators of the Company. On 24 March 2011, a meeting of the Company's Creditors was convened pursuant to Section 439A of the Corporations Act 2001 to consider, amongst other matters, the execution of a Deed of Company Arrangement (DOCA) which had the effect of extinguishing the current debts and to reconstruct and recapitalise the Company. At the meeting, the Creditors resolved that the Company should enter into a DOCA and the DOCA was subsequently executed on 14 April 2011 between the Administrators and Trident Capital Pty Ltd. The DOCA releases and discharges Reclaim Industries Limited of all claims by Creditors. These Full-Year Financial Statements report results and a financial position that is not representative of the position of the Company following completion of the recapitalisation and should not be used as the basis for any decision about the Company or its prospects.

Directors

The names of the directors in office and at any time during, or since the end of the financial year are:

Ms Jennifer King	- Resigned 12 th April 2012
Mr John Crosby	- Resigned 13 th March 2012
Stephen Hewitt-Dutton	- Appointed 13 th March 2012
Mr KC Ong	- Appointed 13 th March 2012
Mr Bruce Franzen	- Appointed 13 th March 2012

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Ms Paige Exley	- Appointed 13 th March 2012 – Resigned 7 th November 2012
Ms Deborah Ho	- Appointed 7 th November 2012

Principal Activities

The Group's principal activities in the financial year were rubber recycling and manufacturing to convert used rubber tyres into commercially attractive surfacing, moulded and granule products for a wide range of industries in both domestic and international markets.

No significant change in the nature of these activities occurred during the financial year.

Operating Results

The loss after tax of the Consolidated Entity for the financial year ended 30 June 2012 was \$281,127 (2011: \$1,770,044).



Preparation of Financial Statements

The financial report has been prepared after consideration and evaluation of the information available, having regard to the following events:

- On 17 February 2011, the company was placed into administration by a creditor (refer also "Review of Operations and Subsequent Events"). As a result of this, the directors at that time no longer had full control over the running of the company and there was a subsequent loss of key staff.
- The company entered into a Deed of Company Arrangement ("DOCA") pursuant to the Corporations Act 2001 as approved at a Creditors Meeting on 24 March 2011.

The administration of the company resulted in the books, records and in particular, the underlying source documents including sales invoices, receivables listings, payables listings, fixed asset schedules and other critical documents being transferred to the Administrator.

The Directors have been able to obtain this information from the Administrator and as a result of these and the other events described above, the Directors have been able to satisfy themselves as to the completeness of the financial information included in this financial report.

Review of Operations and Subsequent Events

Reclaim Industries Limited was admitted to the Official List of the ASX on 21 February 2002. The principal activities of the Group were rubber recycling and manufacturing to convert used rubber tyres into commercially attractive surfacing, moulded and granule products for a wide range of industries in both domestic and international markets.

On 17 February 2011, a creditor appointed David Ross, Richard Albarran and Blair Pleash of Hall Chadwick Chartered Accountants as Joint and Several Administrators of the Company, pursuant to section 436C of the Corporations Act 2001. The securities of the Company were suspended from official quotation on the Official List of the ASX.

On 24 March 2011, a meeting of the Company's Creditors was convened pursuant to Section 439A of the Corporations Act 2001 to consider, amongst other matters, the execution of a Deed of Company Arrangement (DOCA) to reconstruct and recapitalise the Company. At the meeting the following resolutions were carried;

- The shareholders of Reclaim Industries Limited ratify the issue of 12,500,000 shares at \$0.02 per share, previously issued to Mr Jiandong Wang on 31 December 2010 in accordance with the term sheet dated 23 December 2010.
- The Company's securities be consolidated on a 1:5 basis resulting in a reduction of the number of shares on issue from 113,597,454 to 22,718,964 fully paid ordinary shares.
- The capital of the Company be reduced by applying a portion of the accumulated losses of the Company against the share capital of the Company which is considered permanently lost.
- The Company approves the issue of 12,280,509 fully paid up ordinary shares (post consolidation) for nil consideration to Mr Richard Albarran, Mr David Ross and Mr Blair Pleash in their capacities as Deed Administrators of the DOCA for the benefit of the creditors.
- The Company approves the issue of 120,000,000 shares arising from the conversion of the convertible notes issued by the Company to Trident Capital Pty Ltd or its nominees in consideration for \$600,000, which a conversion rate of 1 share for every \$0.005 of the note amounts (post consolidation).
- The Company approves the issue of 225,000,000 fully paid up ordinary shares (post consolidation) by means of a public offer at one cent per share to raise \$2,250,000 under a prospectus.
- The Company approves the right of the Directors to participate in the Public issue.
- Such other resolutions as may be reasonably necessary to implement the reconstruction and recapitalisation proposal.

At the meeting, the Creditors resolved that the Company should enter into a DOCA and the DOCA was subsequently executed on 14 April 2011 between the Administrators and Trident Capital Pty Ltd. The DOCA released and discharged Reclaim Industries Limited of all claims by Creditors.

Simultaneously on 14 April 2011, the Administrators also executed a Creditors' Trust Deed to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration. The Creditors appointed David Ross, Richard Albarran and Blair Pleash of Hall Chadwick Chartered Accountants as Deed Administrators of the Creditors' Trust.



Directors' Report

On 19 May 2011, an Asset Sale Agreement (ASA) was completed between Reclaim Industries Limited (Subject to Deed of Company Arrangement) and Carbon Polymers Ltd, where Carbon Polymers Ltd paid the Deed Administrators \$925,000 under the ASA for:

- various stock in trade, unencumbered assets and equity in encumbered assets owned by the Company;
- the Deed Administrators to assist in assigning the lease of any of the Company's premises that remained on foot at the date of the ASA or assist with new leases to be entered by Carbon Polymers Ltd; and
- the Deed Administrators to assist in assigning the lease of any of the Company's leased equipment that remained on foot at the date of the ASA or assist with arranging purchase of such equipment by Carbon Polymers Ltd.

The Company retained the following assets under the ASA:

- any encumbered assets;
- all trade debtors;
- all legal claims and causes of actions held by the Company;
- the whole tyre export business;
- the Ag-float products and business;
- the "Reclaim Industries" name;
- specific environmental licences; and
- the Crown III Rubber brand.

The funds received from the ASA became part of the Administration fund and were transferred to the Creditors Trust for the benefit of the Creditors.

On 13 March 2012 Mr John Crosby resigned as director of the Company. Mr Stephen Hewitt-Dutton, Mr KC Ong and Mr Bruce Franzen were appointed directors and Ms Paige Exley was appointed company secretary of the Company by the Administrators.

On 17 March 2012, the wholly owned subsidiary Playsafe Australia Pty Ltd (ACN 098 590562) was deregistered.

On 12 April 2012 Ms Jennifer King resigned as director of the Company.

On 14 April 2012, the wholly owned subsidiary Reclaim Collections Pty Ltd (ACN 122 832 482) was deregistered.

On 31 May 2012, the Company issued a Prospectus for the purpose of issuing:

- 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000;
- 12,280,509 Shares to the Deed Administrators; and
- 120,000,000 Shares to the note holders.

On 20 June 2012, a general meeting of the shareholders of Reclaim Industries Limited was held to consider the resolutions proposed under the DOCA. At the meeting the following resolutions were approved by shareholders;

- The Company's securities be consolidated on a 1:5 basis resulting in a reduction of the number of shares on issue.
- The capital of the Company be reduced by an amount of \$8,291,476 by applying a portion of the accumulated losses of the Company against the share capital of the Company which is considered permanently lost.
- The Company approves the issue of 120,000,000 shares arising from the conversion of the convertible notes issued by the Company in consideration for \$600,000 raised from related and non-related parties including 2 directors Mr KC Ong and Mr Stephen Hewitt-Dutton, with a conversion rate of 1 share for every \$0.005 of the note amounts (post consolidation).
- The Company approves the issue of 225,000,000 fully paid ordinary shares (post consolidation) by means of a public offer at one cent per share to raise \$2,250,000 under a prospectus.
- The Company approves the issue of 12,280,509 fully paid up ordinary shares (post consolidation) for nil consideration to Mr Richard Albarran, Mr David Ross and Mr Blair Pleash in their capacities as Deed



Directors' Report

Administrators of the DOCA for the benefit of the creditors.

- The shareholders of Reclaim Industries Ltd ratify the issue of 12,500,000 shares at \$0.02 per share, previously issued to Mr Jiandong Wang on 31 December 2010 in accordance with the term sheet dated 23 December 2010.
- The shareholders approve the right of the Directors to participate in the Public issue.
- Shareholders gave approval for the Company to adopt a new Constitution which became effective on 20 June 2012.

On 29 June 2012, the Company's securities were consolidated on a 1:5 basis, resulting in a reduction of the number of shares on issue, from 113,597,454 to 22,718,964 fully paid ordinary shares.

On 31 August 2012, the Company issued a Supplementary Prospectus to extend:

- the closing date of the Offers to 31 October 2012
- the period for admission to quotation of Shares to 3 months from the date of the Supplementary Prospectus
- the period to raise the Minimum Subscription under the Public Offer to 4 months from the date of the Supplementary Prospectus

Subsequent to year end, the Prospectus has been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued.

On 7 November 2012, Ms Paige Exley resigned as Company Secretary, and Ms Deborah Ho was appointed as Company Secretary.

On 15 November 2012, the convertible notes of \$600,000 were converted to shares.

Future Developments

The Company is now seeking reinstatement on the Official List of the ASX.

On reinstatement to the ASX, it is proposed to utilise the funds raised under the prospectus, after the payment of all the costs of the recapitalisation including payments and share issues for the benefit of Creditors under the DOCA, towards conducting a review of the assets it has retained for the purpose of evaluating the commercial viability of each of the following:

- the business of tyre collection for use in production, export or for use by the Ag-float business;
- exporting tyres and tyre products, focusing on developing those products that markets require whilst also attracting appropriate margins; and
- the Ag-float business, utilising recycled tyres as an evaporation control device, limited the amount of wind and sunlight to the surface of dam water.

Going Concern

The Company has historically recorded operating losses and on 17 February 2011 it was placed in Administration by a creditor resulting in the securities of the Company being suspended from official quotation on the Official List of the ASX.

This also resulted in a meeting of creditors and the subsequent execution of a DOCA between the Administrators and Trident Capital Pty Ltd on 14 April 2011. On this date, the Administrators also executed a Creditors' Trust Deed to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration. On 19 May 2011, an Asset Sale Agreement (ASA) was completed between Reclaim Industries Limited (Subject to Deed of Company Arrangement) and Carbon Polymers Ltd, where Carbon Polymers Ltd paid the Deed Administrators \$925,000 under the ASA for all assets owned by the Company excluding the following assets:

- any encumbered assets;
- all trade debtors;



Directors' Report

- all legal claims and causes of actions held by the Company;
- the whole tyre export business;
- the Ag-float products and business;
- the "Reclaim Industries" name;
- specific environmental licences; and
- the Crown III Rubber brand.

The funds received from the ASA became part of the Administration fund and were transferred to the Creditors Trust for the benefit of the Creditors.

Notwithstanding the poor trading history of the company and consolidated entity, the Directors are of the opinion that the Company is a going concern and thus the financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In forming this opinion the directors have taken into account that:

1. the Company has successfully:
 - raised \$2,250,000 through a share issue;
 - raised \$600,000 through the issuance of convertible notes

Successful Capital Raising

The Company issued a Prospectus on 31 May 2012, for the purpose of issuing:

- 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000
- 12,280,509 Shares to the Deed Administrators; and
- 120,000,000 Shares to the convertible note holders.

The Prospectus has since been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued. The Directors expect this amount will be sufficient to enable the Company to pay the costs of recapitalisation (including payments and share issues for the benefit of Creditors under the DOCA), and to fund the costs of evaluating the commercial viability of each of the following:

- the business of tyre collection for use in production, export or for use by the Ag-float business;
- exporting tyres and tyre products, focusing on developing those products that markets require whilst also attracting appropriate margins; and
- the Ag-float business, utilising recycled tyres as an evaporation control device, limiting the amount of wind and sunlight to the surface of dam water.

Issuance of convertible notes

The convertible notes were issued in two tranches:

- Tranche 1 (providing \$250,000) was issued in March 2012; and
- Tranche 2 (providing \$350,000) was issued in April 2012.

All cash relating to these convertible notes was received at the date of issue of these financial statements.

2. the Directors confidence that the Company will be released and discharged of all claims (liabilities) by Creditors through satisfaction of the outstanding conditions of the DOCA.



Directors' Report

Satisfaction of conditions in the DOCA

The creditors of the company entered into a DOCA. The DOCA has several conditions attached to it. The following condition has as at the date of this report not been executed:

- Deed Administrators to pay the Administration Fund to the Creditors' Trust
3. The Company will obtain requoteation on the ASX.

Requoteation with the ASX

In order for the Company to obtain requoteation with the ASX the following conditions must be satisfied:

1. Confirmation that the Deed of Company Arrangement has been fully effectuated and the Company is not subject to any other forms of external administration.
 2. Confirmation of completion of the consolidation of capital.
 3. Confirmation of completion of the proposed proponent and public capital raising.
 4. Confirmation that the Company can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement.
 5. Lodgement of all outstanding Appendix 3B's with ASX for issues of new securities.
 6. Provision of the following documents, in a form suitable for release to the market:
 - 6.1 A statement setting out the names of the 20 largest holders of each class of securities to be quoted, including the number and percentage of each class of securities held by those holders.
 - 6.2 A distribution schedule of the numbers of holders in each class of security to be quoted in the form contained in appendix 1A, paragraph 48.
 - 6.3 A statement outlining the Company's capital structure.
 - 6.4 An updated pro forma balance sheet based on actual funds raised under the capital raising.
 - 6.5 An updated statement of commitments based on actual funds raised under the capital raising.
 - 6.6 A consolidated activities report setting out the proposed business strategy for the Company.
 - 6.7 A statement by the Company that it is compliance with the listing rules, and in particular listing rule 3.1.
 7. Confirmation of the responsible person for the purposes of listing rule 1.1 condition 12.
 8. The Company demonstrating compliance with listing rules 12.1 and 12.2 to the satisfaction of the ASX.
 9. Lodgement of any outstanding reports (other than quarterly reports), for the period since the Company's securities were suspended and any other outstanding documents required by listing rule 17.5.
 10. Payment of any other fees applicable and outstanding. The Company's outstanding fees will be advised in due course.
 11. Provision of any other information required or requested by ASX.
4. the funds described in 1. above will be sufficient to finance operations for a period no less than twelve months from the date of signing this directors' report.

In the event that the Company is not able to obtain requoteation with the ASX, the Company would be required to repay the amount raised from the above capital raising. As at the date of signing this financial report, all conditions other than condition 9 have been satisfied.



Directors' Report

In the event that the above initiatives are unsuccessful, in particular the satisfaction of the outstanding conditions of the DOCA and the Company's requote with the ASX, there is significant uncertainty whether the Company and Consolidated Entity will be able to continue as going concerns, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability and classification of the asset amounts or amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity not continue as going concerns.

Board of Directors Composition

In accordance with the Corporations Act 2001, the Board of Directors shall comprise of at least three Directors. Until March 2012, the Board of Directors consisted of two Board members. From March 2012, the Board consisted of three Board members. The Board corresponded with ASIC regarding this matter and subsequent to year end, the two current directors resigned and three new directors were appointed.

During the financial year Reclaim's Board composition did not follow the ASX recommendations, in that a majority of directors are not independent due to the small number of directors currently on the board. Whilst the Company intends to progressively increase the independence of its directors as it grows over time, compliance with the best practice recommendations in this area is not considered a current imperative, due to the skill set of existing directors and senior executives, and the cost of appointing additional directors.

Share options

During and since the end of the financial year, no options to acquire ordinary shares in the Company were granted under the Company's employee share option plan.

There were no shares options issued during or since the end of the financial year.

Environmental Issues

The Group's operations are regulated in WA, NSW and SA by the respective State Environmental Protection Acts. There were no breaches of the various State Environmental Protection Acts during the financial year.

Dividends Paid or Recommended

The Directors recommend that no dividend be paid for the year ended 30 June 2012, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year (2011: nil).

Information on Directors during the financial year

Ms. Jennifer King Chairperson - Appointed 22 January 2008 – Resigned 12th April 2012

Experience Ms. King holds a Bachelor of Business and has over 10 years' experience in accounting, taxation, administration and company secretarial work. She contracts her services to a publicly listed mining company and is also a director of several private companies, including her own consulting business. Ms. King assumed the role of Chairperson on 25 February 2008.

Interest in Shares and Options Ms. King both directly and indirectly holds 24,796,214 shares.
Nil Options

Directorships held in other listed entities During the past three years Ms. King has not served as a Director for other listed companies.



Directors' Report

Information on Directors during the financial year (continued)

Mr. John Crosby	Managing Director - Appointed 11 April 2008 – Resigned 13 th March 2012
Experience	Mr. Crosby has over five years' experience in the tyre recycling sector and comes with extensive agribusiness and government experience. He was responsible for the refloat of Elders in 1993 and became a Director of Elders Australia Limited before becoming a general manager at Elders after the Futuris takeover.
Interest in Shares and Options	Mr. Crosby both directly and indirectly holds 16,335,444 shares in the Company. Nil Options
Directorships held in other listed entities	During the past three years Mr. Crosby has not served as a Director for other listed companies.

Mr. Stephen Hewitt-Dutton Chairman - Appointed 13 March 2012

Experience	Mr. Hewitt-Dutton has over 20 years of experience in corporate finance, accounting and company secretarial matters. He is an Associate Director of Trident Capital and holds a Bachelor of Business from Curtin University and is an affiliate of the Institute of Chartered Accountants. Previously Mr. Hewitt-Dutton was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 15 years.
Interest in Shares and Options	Mr. Hewitt-Dutton holds 2,000,000 shares in the Company. Nil Options
Directorships held in other listed entities	During the past three years Mr. Hewitt-Dutton has served as a Director for the following other listed companies. (a) Safety Medical Products Ltd – appointed 6 October 2010.



Directors' Report

Information on Current Directors (continued)

Mr Bruce Franzen	Non-Executive Director - Appointed 13 March 2012
Experience	<p>Mr. Franzen is a Certified Practising Accountant with over twenty years local and international experience in the resources industry. Bruce has substantial experience in commercial administration and financial control related to offshore oil and gas drilling, exploration and development of large scale capital resource projects.</p> <p>Mr. Franzen has held senior positions for large companies such as Woodside Petroleum, Inpex and Origin Energy. He was also a former Chief Financial Officer and Company Secretary for Globe Metals and Mining from 2007-2009 and a founding director of DMC Mining Limited. He served as an executive director, Company Secretary and Chief Financial Officer of DMC Mining from 2006-2009.</p>
Interest in Shares and Options	Mr Franzen holds nil shares in the Company. Nil Options
Directorships held in other listed entities	During the past three years Mr Franzen has served as a Director for the following other listed companies; (a) Riedel Resources Limited – appointed 9 April 2010, (b) DMC Mining Limited – appointed 31 August 2006, resigned 31 August 2009.
Mr. KC Ong	Non-Executive Director - Appointed 13 March 2012
Experience	Mr. Ong is a Director of Trident Management Services. He is an alumni from Deakin University, Victoria, holding a Bachelor of Commerce degree and is Certified Practicing Accountant. Mr. Ong has over 25 years of diverse experience in financial management and business advisory to corporations in Australia and South-East Asia.
Interest in Shares and Options	Mr Ong holds nil shares in the Company. Nil Options
Directorships held in other listed entities	During the past three years Mr Franzen has served as a Director for the following other listed company; (a) Windimurra Vanadium Limited – appointed 30 July 2012

Company Secretary

Ms Deborah Ho was appointed Company Secretary on 7 November 2012. Deborah holds a Bachelor of Commerce from Curtin University and is an affiliate of Chartered Secretaries Australia. Deborah has experience in company secretarial matters, auditing of listed and unlisted companies and financial accounting. Deborah is currently Company Secretary of two listed companies.

Ms. Paige Exley was appointed Company Secretary on 13 March 2012 and resigned on 7 November 2012. Ms. Exley has over 10 years of experience in accounting and also has experience in company secretarial roles in listed and unlisted companies. Ms. Exley holds a Bachelor of Commerce, majoring in Accounting and Business Law from Curtin University and is a certificated member of Chartered Secretaries Australia where she is currently completing a Post-Graduate Diploma of Applied Corporate Governance.



Indemnifying Officers or Auditor

During the financial year the Company paid insurance premiums in respect to Director's and Officer's liability insurance. The insurance policy precludes us from disclosing the amount of coverage. These insurance premiums relate to insurance of the Directors of the Company and its controlled entities named in the report and former Directors and Executive Officers of the Company and its controlled entities. The policy does not specify the premium for individual Directors and Executive Officers.

The Director's and Officer's liability insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as a Director or Executive Officer unless the conduct involves a willful breach of duty or an improper use of inside information or position to gain advantage.

No liability has arisen under the indemnity as at the date of this report.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

No non-audit services were provided during the year.

Director's Meetings

The number of meetings of the company's Board of Directors attended by each Director during the year ended 30 June 2012 was:

	Meetings held while in office	Meetings attended
Jenny King	0	0
John Crosby	0	0
Stephen Hewitt-Dutton	2	2
Bruce Franzen	2	2
KC Ong	2	2

Auditor's Independence Declaration

The auditor's independence declaration is included on page 18 of the financial report.



Directors' Report

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and other Key Management Personnel of the Group.

Key Management Personnel

The following persons acted as Directors of the Company during or since the end of the financial year:

Ms Jennifer King – Non-Executive Chairperson (resigned 12 April 2012)

Mr John Crosby – Managing Director (resigned 13 March 2012)

Mr Stephen Hewitt-Dutton (appointed 13 March 2012)

Mr KC Ong (appointed 13 March 2012)

Mr Bruce Franzen (appointed 13 March 2012)

No other persons acted as other Key Management Personnel of the Group during or since the end of the financial year:

Relationship between the Remuneration Policy and Company Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	-	7,316,369	15,489,133	12,993,833	15,820,340
Net profit / (loss) before tax	(281,127)	(1,770,044)	(1,221,679)	(2,172,516)	(693,485)
Net profit / (loss) after tax	(281,127)	(1,770,044)	(1,221,679)	(2,213,287)	(717,372)
	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Share price at beginning of the year	\$0.04	\$0.04	\$0.06	\$0.10	\$0.12
Share price at end of year	\$0.04	\$0.04	\$0.04	\$0.06	\$0.10
Basic earnings per share	(1.24) cents *	(8.25) cents *	(1.25) cents	(2.75) cents	(1.0) cents
Diluted earnings per share	(1.24) cents *	(8.19) cents *	(1.25) cents	(2.75) cents	(1.0) cents

* Earnings per share have been updated to reflect the impact of the share consolidation for 2012 and 2011,

No dividends have been declared during the five years ended 30 June 2012 and the Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2012.

There is no link between the Company's performance and the setting of remuneration except as discussed below in relation to options for Directors and other Key Management Personnel.



Remuneration Philosophy

The performance of the Group depends on the quality of its Directors and other Key Management Personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre Directors and other Key Management Personnel;
- link executive rewards to shareholder value (by the granting of share options);
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Remuneration Policy

Due to its size, the Company does not have a remuneration committee. The compensation of Directors is reviewed by the Board annually. The compensation of other Key Management Personnel is also reviewed by the Board annually.

The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality Directors and other Key Management Personnel. External advice on remuneration matters is sought whenever the Board deems it necessary but has not been sought during the reporting period.

The remuneration of the Directors and other Key Management Personnel is not dependent on the satisfaction of a performance condition other than set out in this report. Share options have been issued to Key Management Personnel in prior years and do not have any performance conditions.

Non-Executive Director Remuneration

The Board seeks to set remuneration of Non-Executive Directors at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

The Directors have resolved that Non-Executive Directors' fees are \$30,000 per annum for each Non-Executive Director and \$30,000 per annum for the Non-Executive Chairman. However, during the year ended 30 June 2012, no director received any remuneration.

In addition, Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

Executive Remuneration

There were no executive employees during the year.



Directors' Report

Summary of amounts paid to Key Management Personnel

The table below discloses the compensation of the Key Management Personnel of the Group during the year.

2012	Short-term employee Benefits Salary & Fees	Bonus	Post employment superannuation	Share-based payments	Total	Percentage of total remuneration for the year that consists of options
	\$	\$	\$	\$	\$	%
Ms King ⁴	-	-	-	-	-	-
Mr Crosby ⁴	-	-	-	-	-	-
Mr Hewitt-Dutton ⁴	-	-	-	-	-	-
Mr Ong ⁴	-	-	-	-	-	-
Mr Franzen ⁴	-	-	-	-	-	-
2012 Total	-	-	-	-	-	-

2011	Short-term employee Benefits Salary & Fees	Bonus	Post employment superannuation	Share-based payments	Total	Percentage of total remuneration for the year that consists of options
	\$	\$	\$	\$	\$	%
Ms King	17,500	-	1,575	-	19,075	-
Mr Crosby	87,500	-	7,875	-	95,375	-
Mr Hewitt-Dutton ⁴	-	-	-	-	-	-
Mr Ong ⁴	-	-	-	-	-	-
Mr Franzen ⁴	-	-	-	-	-	-
Mr Morgan ¹	50,247	-	4,522	-	54,569	-
Mr Birrell ²	44,692	-	4,022	-	48,714	-
Mr Derham ³	53,582	-	2,340	-	55,922	-
Mr Robinson	58,333	-	5,250	-	63,583	-
Mr Immelman	58,333	-	5,250	-	63,583	-
2011 Total	370,187	-	30,834	-	401,021	-

The Company went into Administration on 17th February 2011, all employees were terminated in the period following the Administrators appointment.

¹ Resigned 8 October 2010

² Appointed 8 October 2010

³ Resigned 16 September 2010

⁴ No amounts were paid to this person during the year.



Share Options held by Key Management Personnel

During the year ended 30 June 2012 no share options were granted or exercised that relate to Key Management Personnel.

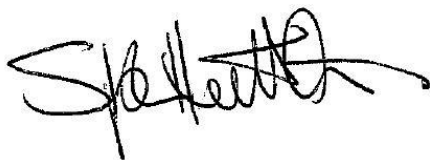
The total value of options included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment".

Shares held in escrow that had been issued to Key Management Personnel

No shares have been issued under the Employee Share Scheme to Key Management Personnel during the year.

The Director's report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



Mr Stephen Hewitt-Dutton
Chairman
28 November 2012

Auditor's Independence Declaration

Deloitte.

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The Board of Directors
Reclaim Industries Limited
Level 24
44 St George's Terrace
PERTH WA 6000

28 November 2012

Dear Board Members

Reclaim Industries Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Reclaim Industries Limited.

As lead audit partner for the audit of the financial statements of Reclaim Industries Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU

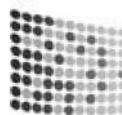


Stephen T Harvey
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

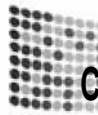


Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2012

	Note	2012	2011
		\$	\$
Revenue from continuing operations	3	-	7,316,369
Other Income	3	1	-
Raw materials and consumables used		-	(1,158,308)
Finance costs	4	(289)	(222,828)
Depreciation and amortisation expense	4	-	(454,110)
Impairment of goodwill		-	(383,119)
Warranty claims		-	(29,866)
Rent		(7,226)	(476,882)
Hire of equipment		-	(133,816)
Fuel		-	(156,866)
Administration expenses		(388,210)	(757,821)
Employee related costs	4	-	(3,759,119)
External contractors' expense		-	(742,163)
Freight expense		(503)	(353,163)
Repairs and maintenance		-	(256,336)
Travel and related expense		-	(167,388)
Reverse equity reserves		-	90,841
Gain on sale of assets		-	12,466
Forgiveness of debt		115,100	-
Deed of Company Arrangement (DOCA) costs		-	(137,935)
Loss before income tax		(281,127)	(1,770,044)
Income tax expense	5	-	-
Loss for the year		(281,127)	(1,770,044)
Other comprehensive income		-	-
Total comprehensive loss for the period		(281,127)	(1,770,044)
Attributable to:			
Equity holders of the parent		(281,127)	(1,770,044)
Minority Interests		-	-
		(281,127)	(1,770,044)
Earnings per share			
Continued operations			
Basic loss per share (cents per share)	8	(1.24)	(8.25)
Diluted loss per share (cents per share)	8	(1.24)	(8.19)

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



Consolidated Statement of Financial Position

As at 30 June 2012

		2012	2011
ASSETS	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	9	74,332	100
Trade and other receivables	10	33,973	4,234
Other	11	16,457	-
Subtotal		124,762	4,334
TOTAL CURRENT ASSETS		124,762	4,334
NON-CURRENT ASSETS			
Goodwill	12	-	-
Other intangible assets	13	-	4,996
Plant and equipment	15	-	-
TOTAL NON-CURRENT ASSETS		-	4,996
TOTAL ASSETS		124,762	9,330
CURRENT LIABILITIES			
Trade and other payables	16	153,192	41,538
Customer deposits		-	-
Borrowings	17	600,000	250,000
Provisions	20	-	-
TOTAL CURRENT LIABILITIES		753,192	291,538
NON-CURRENT LIABILITIES			
Borrowings	17	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		753,192	291,538
NET ASSETS		(628,430)	(282,208)
EQUITY			
Issued capital	18	-	8,291,476
Reserves	19	55,000	-
Accumulated losses		(683,430)	(8,573,684)
Parent entity interest		(628,430)	(282,208)
Minority equity interest		-	-
TOTAL EQUITY		(628,430)	(282,208)

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

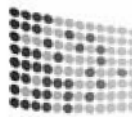


Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2012

	Issued Capital	Reserves – Employee Shares	Reserves – Non – Controlling Interest Buyout	Accumulated Losses	Attributable to the owners of the parent	Total
	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2010	8,041,476	190,892	(100,051)	(6,803,640)	1,328,677	1,328,677
Loss for the period	-	-	-	(1,770,044)	(1,770,044)	(1,770,044)
Issue of ordinary shares under a placement	250,000	-	-	-	250,000	250,000
Lapse of options issued under Employee Share Option Placement	-	(190,892)	-	-	(190,892)	(190,892)
Reversal of reserve relating to Reclaim Collections Pty Ltd	-	-	100,051	-	100,051	100,051
Balance as at 30 June 2011	8,291,476	-	-	(8,573,684)	(282,208)	(282,208)
Loss for the period	-	-	-	(281,127)	(281,127)	(281,127)
Reduction of capital due to permanent loss of earnings	(8,291,476)	-	-	8,291,476	-	-
Retained earnings adjustment related to deregistration of Playsafe Australia P/L and Reclaim Collections P/L	-	-	-	(120,095)	(120,095)	(120,095)
Share application reserve	-	55,000	-	-	55,000	55,000
Balance as at 30 June 2012	-	55,000	-	(683,430)	(628,430)	(628,430)

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



Consolidated Statement of Cash Flows

For the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	8,257,284
Payments to suppliers and employees		(330,769)	(7,841,927)
Interest and other costs of finance paid		-	(222,828)
Net cash used in operating activities	22(a)	(330,769)	192,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	20,136
Proceeds from sale of other assets		-	220,683
Interest received		1	4,343
Net cash used in by investing activities		1	245,162
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible notes		350,000	250,000
Proceeds from share issue applications		55,000	-
Proceeds from borrowings		-	13,468,838
Repayment of borrowings		-	(14,326,228)
Net cash (used in)/provided by financing activities		(405,000)	(607,390)
Net decrease in cash held		74,232	(169,699)
Cash at beginning of financial year		100	169,799
Cash at end of financial year	9	74,332	100

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

Notes to the Financial Statements

1. Summary of Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Reclaim Industries Limited (the Company) and its subsidiaries (together, the Group) comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 28 November 2012.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of the Group's accounting policies, as set out below, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Completeness of Financial Records

The financial report has been prepared after consideration and evaluation of the information available, having regard to the following events:

- On 17 February 2011, the company was placed into administration by a creditor. As a result of this, the directors at that time no longer had full control over the running of the company and there was a subsequent loss of key staff.
- The company entered into a Deed of Company Arrangement ("DOCA") pursuant to the Corporations Act 2001 as approved at a Creditors Meeting on 24 March 2011. This resulted in:
 - The Administrators executing a Creditors' Trust Deed on 14 April 2011 to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration;
 - The execution of an Asset Sale Agreement between Reclaim Industries Limited (Subject to Deed of Company Arrangement) and Carbon Polymers Ltd for \$925,000;
 - The unsecured creditors agreeing to receive a final dividend in full satisfaction of amounts owing on completion of the reconstruction.

The administration of the company resulted in the books, records and in particular, the underlying source documents including sales invoices, receivables listings, payables listings, fixed asset schedules and other critical documents being transferred to the Administrator.

The Directors have been able to obtain this information from the Administrator and as a result of these and the other events described above, the Directors have been able to satisfy themselves as to the completeness of the financial information included in this financial report.



Notes to the Financial Statements

New and Revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out below.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'

The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

AASB 124 'Related Party Disclosures' (revised December 2009)

AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2010-5 'Amendments to Australian Accounting Standards'

The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.

AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'

The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.

To date, the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the consolidated financial statements.

Standards and Interpretations in issue not yet adopted

AASB 9 'Financial Instruments', AASB 2009- 11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'

Effective for annual reporting periods on or after 1 January 2013

Expected to be initially applied in the financial year ending 30 June 2014

AASB 10 'Consolidated Financial Statements'

Effective for annual reporting periods on or after 1 January 2013

Expected to be initially applied in the financial year ending 30 June 2014

Notes to the Financial Statements

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 13'
Effective for annual reporting periods on or after 1 January 2013
Expected to be initially applied in the financial year ending 30 June 2014

AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'
Effective for annual reporting periods on or after 1 January 2012
Expected to be initially applied in the financial year ending 30 June 2013

AASB 2011-4 'Amendment to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
Effective for annual reporting periods on or after 1 July 2013
Expected to be initially applied in the financial year ending 30 June 2014

AASB 2011-7 'Amendment to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'
Effective for annual reporting periods on or after 1 January 2013
Expected to be initially applied in the financial year ending 30 June 2014

AASB 2011-9 'Amendment to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'
Effective for annual reporting periods on or after 1 July 2012
Expected to be initially applied in the financial year ending 30 June 2013

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Effective for annual reporting periods on or after 1 January 2014
Expected to be initially applied in the financial year ending 30 June 2015

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
Effective for annual reporting periods on or after 1 January 2013
Expected to be initially applied in the financial year ending 30 June 2014

Going Concern

The Company has historically recorded operating losses and on 17 February 2011 it was placed in Administration by a creditor resulting in the securities of the Company being suspended from official quotation on the Official List of the ASX.

This also resulted in a meeting of creditors and the subsequent execution of a DOCA between the Administrators and Trident Capital Pty Ltd on 14 April 2011. On this date, the Administrators also executed a Creditors' Trust Deed to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration. On 19 May 2011, an Asset Sale Agreement (ASA) was completed between Reclaim Industries Limited (Subject to Deed of Company Arrangement) and Carbon Polymers Ltd, where Carbon Polymers Ltd paid the Deed Administrators \$925,000 under the ASA for all assets owned by the Company excluding the following assets:

- any encumbered assets;
- all trade debtors;
- all legal claims and causes of actions held by the Company;
- the whole tyre export business;
- the Ag-float products and business;
- the "Reclaim Industries" name;
- specific environmental licences; and
- the Crown III Rubber brand.

The funds received from the ASA became part of the Administration fund and were transferred to the Creditors Trust for the benefit of the Creditors.

Notwithstanding the poor trading history of the company and consolidated entity, the Directors are of the opinion that the Company is a going concern and thus the financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In forming this opinion the directors have taken into account that:

1. the Company has successfully:
 - raised \$2,250,000 through a share issue;
 - raised \$600,000 through the issuance of convertible notes

Notes to the Financial Statements

Going Concern (continued)

Successful Capital Raising

The Company issued a Prospectus on 31 May 2012, for the purpose of issuing:

- 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000
- 12,280,509 Shares to the Deed Administrators; and
- 120,000,000 Shares to the convertible note holders.

The Prospectus has since been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued. The Directors expect this amount will be sufficient to enable the Company to pay the costs of recapitalisation (including payments and share issues for the benefit of Creditors under the DOCA), and to fund the costs of evaluating the commercial viability of each of the following:

- the business of tyre collection for use in production, export or for use by the Ag-float business;
- exporting tyres and tyre products, focusing on developing those products that markets require whilst also attracting appropriate margins; and
- the Ag-float business, utilising recycled tyres as an evaporation control device, limiting the amount of wind and sunlight to the surface of dam water.

Issuance of convertible notes

The convertible notes were issued in two tranches:

- Tranche 1 (providing \$250,000) was issued in March 2012; and
- Tranche 2 (providing \$350,000) was issued in April 2012.

All cash relating to these convertible notes was received at the date of issue of these financial statements.

2. the Directors confidence that the Company will be released and discharged of all claims (liabilities) by Creditors through satisfaction of the outstanding conditions of the DOCA.

Satisfaction of conditions in the DOCA

The creditors of the company entered into a DOCA. The DOCA has several conditions attached to it. The following condition has as at the date of this report not been executed:

- Deed Administrators to pay the Administration Fund to the Creditors' Trust

3. The Company will obtain re quotation on the ASX.

Re quotation with the ASX

In order for the Company to obtain re quotation with the ASX the following conditions must be satisfied:

1. Confirmation that the Deed of Company Arrangement has been fully effectuated and the Company is not subject to any other forms of external administration.
2. Confirmation of completion of the consolidation of capital.
3. Confirmation of completion of the proposed proponent and public capital raising.
4. Confirmation that the Company can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement.
5. Lodgement of all outstanding Appendix 3B's with ASX for issues of new securities.
6. Provision of the following documents, in a form suitable for release to the market:
 - 6.1 A statement setting out the names of the 20 largest holders of each class of securities to be quoted, including the number and percentage of each class of securities held by those holders.

Notes to the Financial Statements

Going Concern (continued)

6. 2 A distribution schedule of the numbers of holders in each class of security to be quoted in the form contained in appendix 1A, paragraph 48.
 6. 3 A statement outlining the Company's capital structure.
 6. 4 An updated pro forma balance sheet based on actual funds raised under the capital raising.
 6. 5 An updated statement of commitments based on actual funds raised under the capital raising.
 6. 6 A consolidated activities report setting out the proposed business strategy for the Company.
 6. 7 A statement by the Company that it is compliance with the listing rules, and in particular listing rule 3.1.
 7. Confirmation of the responsible person for the purposes of listing rule 1.1 condition 12.
 8. The Company demonstrating compliance with listing rules 12.1 and 12.2 to the satisfaction of the ASX.
 9. Lodgement of any outstanding reports (other than quarterly reports), for the period since the Company's securities were suspended and any other outstanding documents required by listing rule 17.5.
 10. Payment of any other fees applicable and outstanding. The Company's outstanding fees will be advised in due course.
 11. Provision of any other information required or requested by ASX.
4. the funds described in 1. above will be sufficient to finance operations for a period no less than twelve months from the date of signing this directors' report. As at the date of signing this financial report, all conditions other than condition 9 have been satisfied.

In the event that the Company is not able to obtain requote with the ASX, the Company would be required to repay the amount raised from the above capital raising.

In the event that the above initiatives are unsuccessful, in particular the satisfaction of the outstanding conditions of the DOCA and the Company's requote with the ASX, there is significant uncertainty whether the Company and Consolidated Entity will be able to continue as going concerns, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability and classification of the asset amounts or amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity not continue as going concerns.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Significant Accounting Policies

The following significant accounting policies have historically been adopted in the preparation and presentation of the financial report and are expected to be relevant to the Company when it commences trading:

(a) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis, so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Notes to the Financial Statements

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 10-40%
- Motor Vehicle 20%
- Leased Assets 20-25%

(b) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts, where drawn, are shown within borrowings in current liabilities in the balance sheet.

(d) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation benefit plans are expensed when incurred.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable from the taxation authority is included as part of receivables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financial activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Goodwill

Goodwill acquired in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirers previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.



Notes to the Financial Statements

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(g) Income Tax

Current tax

Current tax is calculated by references to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Reclaim Industries Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Notes to the Financial Statements

(h) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(j) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the assets.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purposes entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at either fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the Financial Statements

(l) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Any impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

(n) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the Financial Statements

(o) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Interest income is recognised by applying the effective interest rate method.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(p) Intangible Assets

Client list

Client listings are recorded at cost and are amortised over 5 years, as the client lists are amortised over the projected cash flows from the clients over the 5 years following acquisition, but are tested for impairment annually and whenever there is an indication that the client listing may be impaired.

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

(q) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss as incurred.



Notes to the Financial Statements

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes to fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at the acquisition date except that:

- Deferred tax assets and liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement of the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued operations are measured in accordance with that Standard.

(r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

(t) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Australian dollars, which is the functional currency of Reclaim Industries Limited, and the presentation currency for the financial statements.

Notes to the Financial Statements

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences are recognised in profit or loss in the period.

(u) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

2. Financial Risk Management

(a) Capital risk management

The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 22 and 23 respectively.

Operating cash flows and share issues are used to maintain and expand the Group's operations.

(b) Categories of financial instruments

	2012 \$	2011 \$
Financial assets		
Trade and receivables	33,973	4,234
Prepayments	16,457	-
Cash and cash equivalents	74,332	100
Financial liabilities		
Trade and payables	52,032	41,538
Convertible Notes	600,000	250,000

(c) Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments; however the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks and aging analysis for credit risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified management.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates (refer note 2(e)). The Group does not enter into interest rate caps and/or swaps to mitigate the risk of rising interest rates.

Notes to the Financial Statements

(e) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group hold funds on deposit at floating interest rates.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Directors and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net revenue would increase by \$372 and decrease by \$372 respectively (2011: \$1).

The Group's sensitivity to interest rates has decreased during the current year due to the termination of variable rate debt instruments.

(f) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currency, hence exposes the Group to exchange rate fluctuations. The Group does not enter into any forward exchange contracts to mitigate this risk. As at 30 June 2012 there are no amounts outstanding denominated in foreign currency (2011: nil).

(g) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposures to its counterparties are monitored. Credit exposure is controlled by a weekly meeting of management.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Financial Statements

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Financial Liabilities	Weighted average effective interest rate	Less than 1 year	1-5 years	5+ years
2012	%	\$	\$	\$
Non-interest bearing	-	719,219	-	-
Variable interest rate instruments	-	-	-	-
Fixed interest rate instruments	-	-	-	-
		<u>719,219</u>	<u>-</u>	<u>-</u>
2011				
Non-interest bearing	-	291,536	-	-
Variable interest rate instruments	-	-	-	-
Fixed interest rate instruments	-	-	-	-
		<u>291,536</u>	<u>-</u>	<u>-</u>

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Financial Assets	Weighted average effective interest rate	Less than 1 year	1-5 years	5+ years
2012	%	\$	\$	\$
Non-interest bearing	-	50,430	-	-
Variable interest rate instruments	0.01	74,332	-	-
Fixed interest rate instruments	-	-	-	-
		<u>4,334</u>	<u>-</u>	<u>-</u>
2011				
Non-interest bearing	-	4,334	-	-
Fixed interest rate instruments	-	-	-	-
		<u>4,334</u>	<u>-</u>	<u>-</u>

(i) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

3. Revenue

	2012	2011
	\$	\$
Sale of goods:		
- customers	-	7,312,026
Interest received other persons	-	4,343
Other	1	-
Total Revenue	<u>1</u>	<u>7,316,369</u>



Notes to the Financial Statements

4. Loss for the Year

	2012	2011
	\$	\$
Other expenses		
Loss for the year includes the following expenses:		
Employee related costs:		
- Post employment benefits	-	(263,134)
- other employee benefits	-	(3,495,985)
	-	(3,759,119)
Finance costs:		
- interest on obligations on finance leases	-	(26,294)
- other interest expense	(289)	(196,534)
-	(289)	(222,828)
Depreciation and amortisation:		
- depreciation/amortisation of leased and fixed assets	-	(446,586)
- amortisation of customer lists	-	(7,524)
	-	(454,110)
Cost of goods sold	-	(4,718,186)
Operating lease rentals	-	(476,882)

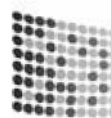
Notes to the Financial Statements

5. Income Tax Expense

(a) Income tax recognised in loss

	2012 \$	2011 \$
Current tax expense	-	-
Adjustments recognised in the current year in relation to the current tax of prior periods	-	-
Deferred tax expense relating to origination and reversal of temporary differences and tax losses	-	-
	-	-
The prima facie income tax expense on pre-tax accounting loss from operation reconciles to the income tax expense in the financial statements as follows:		
Loss for the period	(281,127)	(1,770,044)
Income tax benefit calculated at 30%	(84,338)	(531,013)
Shared based payments		
Non-deductible expenses	-	-
Allowance for doubtful loan	-	-
Impairment of investment in subsidiaries	-	-
Investment allowance	-	-
Current losses not recognised	(84,338)	(531,013)
Current year temporary differences not recognised	-	-
	-	-
Adjustments recognised in the current period in relation to the current tax of prior periods	-	-
Income tax expense	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.



Notes to the Financial Statements

5. Income Tax Expense (continued)

(b) Recognised deferred tax assets and (liabilities)

	2012 \$	2011 \$
Trade and other receivables	-	-
Plant and equipment	-	-
Client list	-	-
Other assets	-	-
Trade and other payables	-	-
Employee benefits	-	-
Warranty provision	-	-
Deferred income	-	-
Share issue costs	-	-
Other	-	-
	-	-
Temporary differences not recognised	-	-
Net deferred tax asset / (liability)	-	-

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2012 \$	2011 \$
Net temporal differences	-	-
Tax losses revenue:		
- Head entity	2,051,171	1,770,044
- Subsidiaries in tax consolidated group	-	-
- Other subsidiaries	2,051,171	1,770,044

(d) Movement in recognised net deferred assets

	2012 \$	2011 \$
Opening balance	-	-
Recognised in equity	-	-
Recognised in income	-	-
Closing balance	-	-



Notes to the Financial Statements

(e) Tax consolidation**Relevance of tax consolidation to the Group**

The Company and its wholly-owned Australian resident entities are in a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Reclaim Industries Limited.

Nature of tax funding arrangement

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Reclaim Industries Limited and its wholly owned Australian resident entities have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the-consolidated group.

6. Key Management Personnel Compensation

The Key Management Personnel of the Group during the year were:

Ms Jennifer King – Non-Executive Chairperson (resigned 12 April 2012)

Mr John Crosby – Managing Director (resigned 13 March 2012)

Mr Stephen Hewitt-Dutton (appointed 13 March 2012)

Mr KC Ong (appointed 13 March 2012)

Mr Bruce Franzen (appointed 13 March 2012)

The Company went into Administration on 17th February 2011, all employees were terminated in the period following the Administrators appointment.

The aggregate compensation of Key Management Personnel of the Group and the Company is set out below:

	2012 \$	2011 \$
Short-term employee benefits	-	370,187
Post employment benefits	-	30,834
Share-based payment	-	-
	-	401,021

7. Remuneration of auditors**Remuneration of the auditors of the Group:**

Deloitte Touche Tohmatsu
- audit or review of the financial report

	2012 \$	2011 \$
	129,715	55,621
	129,715	55,621

The auditor of the Group is Deloitte Touche Tohmatsu.



Notes to the Financial Statements

8. Earnings Per Share

	2012 Cents per Share	2011 Cents per Share
Basic earnings per share – loss	(1.24)	(8.25)
Diluted earnings per share - loss	(1.24)	(8.19)

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	\$	\$
Earnings	(281,127)	(1,770,044)
Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the income statement.		
	Number	Number
Weighted average number of ordinary shares - basic	22,718,964	21,459,217
Weighted average number of ordinary shares - diluted	22,718,964	21,615,065

9. Cash and Cash Equivalents

	2012 \$	2011 \$
Cash at bank	74,332	100
Term Deposit	-	-
	<hr/> 74,332	<hr/> 100

10. Trade and Other Receivables

	2012 \$	2011 \$
Current		
Trade receivables	33,973	4,234
Allowance for doubtful debts	-	-
	<hr/> 33,973	<hr/> 4,234

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group does not hold any collateral as security over any receivable balance, nor does it hold any restrictions of title.

Refer to Note 2 for more information.



Notes to the Financial Statements

a) **Movement in the allowance for doubtful debts for trade receivables**

	2012 \$	2011 \$
Opening balance	-	24,000
Additional provisions	-	-
Amounts used	-	-
Amounts written back	-	(24,000)
Closing balance	-	-

11. **Other Assets**

	2012 \$	2011 \$
Prepayments	16,457	-
	<u>16,457</u>	<u>-</u>

12. **Goodwill**

	2012 \$	2011 \$
Gross carrying amount		
Balance at beginning of financial year	383,119	383,119
Additions	-	-
Balance at end of financial year	<u>383,119</u>	<u>383,119</u>
Accumulated impairment losses		
Balance at beginning of financial year	(383,119)	-
Impairment losses for the year	-	(383,119)
Balance at end of financial year	<u>(383,119)</u>	<u>(383,119)</u>
Net book value		
At the beginning of the financial year	-	383,119
At the end of the financial year	<u>-</u>	<u>-</u>

Goodwill relates to the acquisition of Duskview Pty Ltd and Budget Tyres. Goodwill has been allocated to the collections and productions cash generating units for impairment testing purposes.

The recoverable amount of collections and productions was based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 20%. Cash flows beyond that five-year period have been extrapolated using no growth rate.

The key assumption used in value in use calculations is budgeted income and expenses which are based on actuals immediately before the budget period, increased by historical trends.

Goodwill was impaired at the reporting date 30 June 2011 due to the sale of the production cash generating unit and the reduction of the collections cash generating unit.

Notes to the Financial Statements

13. Other Intangible Assets

	2012 \$	2011 \$
Gross carrying amount		
Balance at beginning of financial year	37,600	37,600
Intangible write-off from entity deregistration	(37,600)	-
Balance at end of financial year	-	37,600
Accumulated amortisation and impairment losses		
Balance at beginning of financial year	(32,604)	(25,080)
Amortisation expense	(4,996)	(7,524)
Intangible write-off from entity deregistration	37,600	-
Balance at end of financial year	-	(32,604)
Net book value		
At the beginning of the financial year	4,996	12,520
At the end of the financial year	-	4,996

Reclaim Collections Pty Ltd was deregistered by ASIC on 14 April 2012. The intangible write-off upon deregistration of this entity relates to a Client List which was recognized upon the acquisition of the entity.

14. Controlled Entities

Details of the Group's subsidiaries at the end of the reporting period are as follows:

	Country of Incorporation	Percentage Owned (%)	
		2012	2011
Parent Entity:			
Reclaim Industries Limited (i)	Australia	100	100
Subsidiaries of Reclaim Industries Limited:			
Playsafe Australia Pty Ltd (i) (ii)	Australia	-	100
Reclaim Corporation Pty Ltd (i)	Australia	100	100
Reclaim Energy Pty Ltd (formerly Leisuresafe Holdings Pty Ltd) (i)	Australia	100	100
Reclaim SA Pty Ltd (i)	Australia	100	100
Reclaim Asia Pty Ltd (i)	Australia	100	100
Duskview Pty Ltd (i)	Australia	100	100
Reclaim Collections Pty Ltd (ii)	Australia	-	100

(i) These companies are members of the tax-consolidated group and Reclaim Industries Limited is the head entity of the tax-consolidated group.

(ii) Playsafe Australia Pty Ltd and Reclaim Collections Pty Ltd were deregistered by ASIC during the current period.


Notes to the Financial Statements
15. Plant and Equipment

	Leased Assets	Motor Vehicles	Office Equipment	Plant & Equipment	Total
	\$	\$	\$	\$	\$
Gross Carrying Amount					
Balance at 30 June 2010	1,161,204	372,520	191,273	4,129,405	5,854,402
Additions	-	-	-	-	-
Disposals	-	(13,000)	-	-	(13,000)
Transfer to Creditor Trust	(1,161,204)	(359,520)	(191,273)	(4,129,405)	(5,841,402)
Balance at 30 June 2011	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 30 June 2012	-	-	-	-	-
Accumulated Depreciation					
Balance at 30 June 2010	(261,328)	(153,026)	(103,838)	(1,636,343)	(2,154,535)
Disposals	-	1,730	-	-	1,730
Depreciation Expense	(54,210)	(31,385)	(21,541)	(339,450)	(446,586)
Transfer to Creditors Trust	315,538	182,681	125,379	1,975,793	2,599,391
Balance at 30 June 2011	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation Expense	-	-	-	-	-
Balance at 30 June 2012	-	-	-	-	-
Net Book Value					
As at 30 June 2011	-	-	-	-	-
As at 30 June 2012	-	-	-	-	-



Notes to the Financial Statements

16. Trade and Other Payables

	2012	2011
	\$	\$
Trade payables (i)	69,192	41,538
Goods and services tax payable	-	-
Accrued expenses	84,000	-
	<u>153,192</u>	<u>41,538</u>

(i) The average credit period on purchases of goods is 30 (2011: 30) days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

17. Borrowings

	2012	2011
	\$	\$
Unsecured – at amortised cost		
Current		
Convertible Notes (v)	600,000	250,000
Unsecured – at amortised cost	<u>600,000</u>	<u>250,000</u>
Total Current Borrowings	<u>600,000</u>	<u>250,000</u>
Total Borrowings	<u>600,000</u>	<u>250,000</u>

Summary of borrowing arrangements:

- (i) Convertible notes issued in accordance with the requirements of the Deed of Company Arrangement entered into with Trident Capital Pty Ltd on 24 March 2011. The convertible notes were issued with a conversion price of \$0.005 per conversion share, and will not be converted until the date following the date the Consolidation occurs or such other date as the parties may agree in writing.


Financial Statements
Notes to the Financial Statements
18. Issued Capital

	2012	2011	2012	2011
	Number	Number	\$	\$
Fully paid ordinary shares	22,719,491	113,597,454	8,291,476	8,291,476
	2012	2011	2012	2011
	Number	Number	\$	\$
At the beginning of the financial year	113,597,454	101,097,454	8,291,476	8,041,476
Share transactions:				
- 31 December 2010 (i)	-	12,500,000	-	250,000
- 20 June 2012 (ii)			(8,291,476)	
- 29 June 2012 (iii)	(90,878,490)		-	-
Transaction costs:	-	-	-	-
Balance at the end of financial year	22,718,964	113,597,454	-	8,291,476

- (i) On 31 December 2010, the Company issued 12,500,000 ordinary shares through a placement at 2 cents per share.
- (ii) On 20 June 2012, pursuant to the resolution approved at the shareholders meeting on that date, the Company's share capital was reduced by \$8,291,476 being a portion of the accumulated losses against the share capital which is considered permanently lost.
- (iii) On 29 June 2012, pursuant to the resolution approved at the shareholders meeting on 20 June 2012, the Company's securities were consolidated on a 1:5 basis, resulting in a reduction of the number of shares on issue, from 113,597,454 to 22,718,964 ordinary fully paid shares.

The company does not have a limited amount of authorised capital and issued shares do not have a par value. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

19. Reserves

	2012	2011
	\$	\$
Equity-settled employee benefits reserve	-	-
Share application reserve	55,000	-
	<u>55,000</u>	<u>-</u>

Share application reserve arises from applications made under the Company's recent prospectus. The offer closed on 31 October 2012 and the shares pursuant to that offer were issued in November 2012.

20. Contingent Liabilities

The directors are of the opinion that there are no contingent liabilities as at 30 June 2012 (2011: nil).

Notes to the Financial Statements

21. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments to be three business units of:

- a. Collections
- b. Manufacturing
- c. Sales

Collections is the pickup of tyres from customers. Manufacturing is the processing of tyres into rubber granule or baled tyres. Sales is defined as the laying of the rubber soft-fall surfaces or selling of rubber crumb and associated products to wholesale markets.

During 2011 operations were sold or wound down and no revenue was generated in 2012.

Information regarding these segments is presented below. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

	Segment Revenue		Segment Result	
	2012 \$	2011 \$	2012 \$	2011 \$
Collections	-	1,927,086	-	477,510
Manufacturing	-	1,172,673	-	(1,053,266)
Sales	-	5,329,578	-	604,012
Intersegment Eliminations	-	(1,087,714)	-	-
Total for continuing operations	-	7,341,623	-	(70,237)
Investment revenue			1	-
Central administration costs			(280,839)	(1,575,472)
Finance costs			(289)	(222,828)
Loss before tax			(281,127)	(1,770,044)
Income tax expense			-	-
Loss after tax			(281,127)	(1,770,044)



Notes to the Financial Statements

22. Cash Flow Information

a) Reconciliation of Cash Flow from Operations	2012 \$	2011 \$
Loss after income tax	(281,127)	(1,770,044)
Non-cash flows in loss:		
Interest received	(1)	(4,343)
Forgiveness of debt	(115,100)	-
Depreciation and amortisation	-	454,110
Impairment of Goodwill/Intangible Assets	-	383,119
Loss / (gain) on disposal of fixed assets	-	(12,466)
DOCA costs	-	137,935
Transfer of assets & liabilities to Creditors Trust	-	1,425,831
Reverse equity reserves	-	(90,841)
(Increase)/decrease in trade and term receivables	(29,738)	2,256,732
(Increase)/decrease in inventories	-	917,281
(Increase)/decrease in other operating assets	(16,457)	35,755
Increase/(decrease) in trade payables and accruals	111,654	(2,673,449)
Increase/(decrease) in provisions	-	(330,412)
Increase/(Decrease) in deferred income	-	(536,679)
Cashflow used in operations	(330,769)	192,529

23. Subsequent Events

On 31 August 2012, the Company issued a Supplementary Prospectus to extend:

- the closing date of the Offers to 31 October 2012
- the period for admission to quotation of Shares to 3 months from the date of the Supplementary Prospectus
- the period to raise the Minimum Subscription under the Public Offer to 4 months from the date of the Supplementary Prospectus

Subsequent to year end, the Prospectus has been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued.

On 7 November 2012, Ms Paige Exley resigned as Company Secretary, and Ms Deborah Ho was appointed as Company Secretary.

On 15 November 2012, the convertible notes of \$600,000 were converted to shares.

The company is now seeking restatement on the Official List of the ASX.



Notes to the Financial Statements

24. Related Party Transactions

a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 14 to the financial statements.

b) Key Management Personnel compensation

Details of Key Management Personnel compensation are disclosed in note 6 to the financial statements.

c) Key Management Personnel equity holdings

Shares

Fully paid ordinary shares issued by Reclaim Industries Limited to Key Management Personnel are as follows:

2012	Balance at 1 July 2011 Number	Allotment of Shares Number	Net other changes* Number	Balance at 30 June 2012 Number	Balance Held Nominally Number
DIRECTORS					
Ms J King	24,796,214	-	(19,836,973)*	4,959,241	-
Mr J Crosby	16,335,444	-	(13,068,356)*	3,267,088	-
Mr S Hewitt - Dutton ¹	-	-	-	-	-
Mr KC Ong ¹	-	-	-	-	-
Mr B Franzen ¹	-	-	-	-	-

¹ Appointed during the current year. No amounts were paid to this person during the current year.

The Company's shares have been suspended since 17th February 2011.

*Consolidation of the Company's existing securities on a 1 for 5 basis.

2011	Balance at 1 July 2010 Number	Allotment of Shares Number	Net other changes Number	Balance at 30 June 2011 Number	Balance Held Nominally Number
DIRECTORS					
Ms J King	24,796,214	-	-	24,796,214	-
Mr J Crosby	16,335,444	-	-	16,335,444	-
Mr N Mackenzie	-	-	-	-	-
KEY MANAGEMENT PERSONNEL					
Mr S Morgan ²	-	-	-	-	-
Mr S Birrell ³	-	-	-	-	-
Mr P Derham ⁴	-	-	-	-	-
Mr I Robinson	172,414	-	-	172,414	-
Mr L Immelman	-	-	-	-	-

² Resigned 8 October 2010

³ Appointed 8 October 2010

⁴ Resigned 16 September 2010

The Company's shares have been suspended since 17th February 2011.



Notes to the Financial Statements

24. Related Party Transactions (continued)**Options**

Nil options were issued by Reclaim Industries Limited to Key Management Personnel during the current financial year (2011: Nil).

(d) Transactions with Related Parties

No transactions occurred with related parties during the period. In the prior year the transactions are as follows:

- (i) Rent and outgoings paid by the Group and Company to Lloyd Price Carnavon Pty Ltd (an entity associated with Ms J King) on normal terms and conditions \$88,380.
- (ii) Rent and outgoings paid by the Group to Ag Management Pty Ltd (an entity associated with Mr J Crosby) on normal terms and conditions \$15,781.

(e) Transactions with Related Parties

The ultimate parent entity in the wholly-owned Group is Reclaim Industries Limited.

During the financial year Reclaim Industries Limited provided to subsidiaries:

- Accounting and administrative services at no cost
- The advancement of interest free advances
- Sold goods at cost to controlled entities
- Sold plant and equipment at its written down value

Tax losses have been transferred to Reclaim Industries Limited for no consideration.

25. Share Option Plans and Employee Share Scheme**Share Options**

The Group has an ownership-based compensation plan for executives and employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an annual general meeting, Directors may issue options to purchase shares in the Company to executives and employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No Directors participate in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights. No options were granted during the financial year. The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

	2012		2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	-	-	1,230,000	0.334
Granted during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Lapsed during the financial year	-	-	(1,230,000)	0.334
Cancelled during the financial year	-	-	-	-
Balance at the end of financial year (i)	-	-	-	-

The share options outstanding at the end of the financial year were nil.



Notes to the Financial Statements

25. Share Option Plans and Employee Share Scheme (continued)

Employee Share Scheme

A scheme under which shares may be issued to employees for no cash consideration was approved by shareholders at the 2006 annual general meeting. All Australian resident employees (excluding Directors) are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

The invitation to participate, the number of shares and the issue price of the shares are at the full discretion of the Board as detailed under the Reclaim Industries Employee Share Plan Rules.

Nil shares have been issued under this scheme during the period (2011: Nil).

26. Parent entity disclosures

	2012	2011
Financial Position	\$	\$
Assets		
Current assets	90,689	4,234
Non-current assets	-	109
Total assets	<u>90,689</u>	<u>4,343</u>
Liabilities		
Current liabilities	119,220	1,653,405
Non-current liabilities	937,137	250,000
Total liabilities	<u>1,056,357</u>	<u>1,903,405</u>
Equity		
Issued capital	-	8,291,476
Accumulated losses	(1,020,668)	(10,190,538)
Reserves		
Equity-settled employee benefits reserve	-	-
Share application reserve	55,000	-
Total equity	<u>(965,668)</u>	<u>(1,899,062)</u>
	2012	2011
	\$	\$
Financial Performance		
Profit / (loss) for the year	878,394	(1,770,044)
Other comprehensive income	-	-
Total comprehensive income	<u>878,394</u>	<u>(1,770,044)</u>

Notes to the Financial Statements

27. Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Various Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations does not affect the Group's present policies and operations. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially affect the amounts recognised in the financial statements of the Group and the Company but may change the disclosure presently made in the financial statements of the Group or the Company.

28. Company Details

The registered office and principal place of business of the Company is:

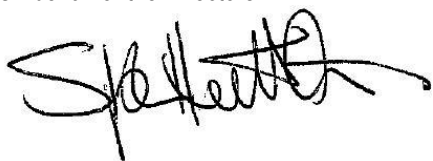
C/- Hall Chadwick
Level 14, 45 William Street
Melbourne VIC 3000

Directors' Declaration

The Directors declare that:

- (a) 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;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations required by Section 295A of the Corporation Act 2001. Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr Stephen Hewitt-Dutton
Chairman 28 November 2012



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Independent Auditor's Report to the members of Reclaim Industries Limited

Report on the Financial Report

We have audited the accompanying financial report of Reclaim Industries Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 19 to 52.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, 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 Reclaim Industries Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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Independent Audit Report to the Members of Reclaim Industries Limited

Deloitte

Opinion

In our opinion:

- (a) the financial report of Reclaim Industries Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which describes that the consolidated entity has entered into a deed of company arrangement and the conditions of that deed that need to be met including the need for a successful relisting of the Company on the ASX. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Reclaim Industries Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen T Harvey
Partner
Chartered Accountants
Adelaide, 28 November 2012



ASX Additional Information

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Eight Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

The Company's Corporate Governance policies and its Securities Trading Policy are available on the Company's website. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

Principle 1 – Lay solid foundations for management and oversight

The Board and management have formalised their respective roles and responsibilities and the functions reserved to the Board and management. The Board has established and adopted a Board Charter for this purpose.

The Board is responsible for oversight of the management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising company performance and the protection and enhancement of long-term shareholder value.

The Board has also established a Nomination and Remuneration Committee Charter which, amongst other functions, guides the Board in its evaluation of the performance of senior executives and encourages an appropriate mix of skills, experience, expertise and diversity on the Board.

The role of management is the efficient and effective operation of the activities of the Company in accordance with the objectives, strategies and policies determined by the Board. The performance of senior management is reviewed annually in a formal process with the executive's performance assessed against the company and personal benchmarks. Benchmarks are agreed with the executives and reviews are based upon the degree of achievement against those benchmarks.

Principle 2 – Structure the Board to add value

The Board has been formed such that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their experience, decision-making and judgement skills.

The Company has adopted a Nomination and Remuneration Committee Charter which encourages a transparent Board selection process in searching for and selecting new directors to the Board and having regard to any gaps in the skills and experience of the directors of the Board and ensuring that a diverse range of candidates is considered. The Board composition is reviewed on an ongoing basis with regard to the activities of the Company and the skills sets required to support those activities.

A separate nomination committee has not been formed. The role of the nomination committee is carried out by the full Board in accordance with the Nomination and Remuneration Committee Charter. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate committee.

The composition of the Board is determined using the following principles:

- A minimum of three directors, with a broad range of expertise
- Directors should bring characteristics which allow a mix of qualifications, skills, experience, expertise and diversity to the Board

The skills, experience, expertise and tenure of each director are disclosed in the Directors' Report within this Annual Report.

In assessing the independence of directors, the Board follows the ASX guidelines and will consider whether the director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- Is employed, or has previously been employed in executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving the on board
- Has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided
- Is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Has a material contractual relationship with the Company or another group member other than as director of the Company

The Board does have a majority of independent directors. It is comprised of 3 non-executive directors and the Board is confident that each non-executive director brings independent judgement to the Board's decisions. The Board considers the existing structure and skill sets of the directors' appropriate given the small scale of the Company's enterprise and the associated economic restrictions the scale of operations places on the Company. The existing structure is aimed at maximising the financial position of the Company by keeping its operating costs to a minimum.



ASX Additional Information (continued)

Where additional skills are considered necessary for specific purposes, access is made to independent professional advice at the expense of the Company.

Principle 3 – Promote ethical and responsible decision making

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Board has established a Code of Conduct to guide the Directors, managers, employees and officers of the Company with respect to matters relevant to the Company's legal and ethical obligations and the expectations of stakeholders.

The Code of Conduct requires officers and employees to avoid or ensure proper management of conflicts of interest, to not use confidential information for personal gain and to act in fair, honest and respectful manner. The Board has procedures in place for reporting any matters that give rise to unethical practices or conflicts between the interests of a director or senior executive and those of the Company.

Diversity Policy

The Board has also established a Diversity Policy which affirms the Company's commitment to promoting a corporate culture that is supportive of diversity and outlines strategies that the Board can undertake to encourage and promote a diverse working environment.

The Company does not select candidates based on gender or ethnicity, rather the recruitment process chooses candidates from a diverse group after widely canvassing the market and by selecting the most appropriate candidate based on merit and suitability for the role.

Currently the Company has no employees as the operations are managed by the Board. There are currently no women on the Board of the Company or employed by the Company.

Given the Company's size and that it currently has no employees the Board does not consider it appropriate to set objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available:

Securities Trading Policy

The Board encourages directors and employees to hold shares in the Company to align their interest with the interests of all Shareholders. The Company has adopted a Securities Trading Policy which guides directors, employees or contractors in trading the Company's securities in accordance with ASX Listing Rules. Trading the Company's shares is prohibited under certain circumstances and a director, employee or contractor must not deal in the Company's securities at any time when he or she is in possession of information which, if generally available, may affect the price of the Company's shares.

The Policy sets out the following information:

- (a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- (b) trading in the Company's securities which is not subject to the Company's Trading Policy; and
- (c) the procedures for obtaining written clearance for trading in exceptional circumstances.

Principle 4 – Safeguard integrity in financial reporting

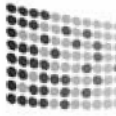
The Directors require the Managing Director and external company auditors to state in writing to the Board, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

A separate audit committee has not been formed. However, the Company has adopted an Audit Committee Charter. The role of the audit committee is carried out by the full Board in accordance with the Audit Committee Charter. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate audit committee.

Principle 5 – Make timely and balanced disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the ASX Listing Rules and the Corporations Act. The Directors have established a written policy and procedure to ensure compliance with the disclosure requirements of the ASX Listing Rules. At each meeting of the directors, consideration is given as to whether notice of material information concerning the Company, including its financial position, performance, ownership and governance has been made to all investors.

Under the policy the Company's employees and contractors must disclose any relevant information which comes to their attention and is believed to potentially be material to the Company Secretary or Executive Director.



ASX Additional Information (continued)

Principle 6 – Respect the rights of Shareholders

The Directors have established a communications strategy to promote effective communication with Shareholders and encourage effective participation at general meetings. As well as ensuring timely and appropriate access to information for all investors via announcements to the ASX, the Company will also ensure that all relevant documents are released on the Company's website.

Communication with Shareholders is achieved through the distribution of the following information:

- The Annual Report is distributed to Shareholders;
- The Half Yearly Report is available on the Company's website
- Regular reports and announcements are released through the ASX
- The Annual General Meeting and other meetings called by the Company to obtain Shareholder approval as appropriate
- Investor information released through the Company's website

Principle 7 – Recognise and manage risk

The Board is responsible for overseeing the risk management function and ensuring that risks and opportunities are identified on a timely basis. The Directors have established a Risk Management Policy regarding the oversight and management of material business risks.

Responsibility for the control and risk management is delegated to the appropriate level of management within the Company, with the Executive Director having ultimate responsibility to the Board for monitoring the risk management and control framework. Risk analysis and evaluation occurs on an ongoing basis in the course of the activities of the Company. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies.

The Executive Director reports on a regular basis to the Board on the areas of their responsibility, including material business risks and provides an annual written report to the Board summarising the effectiveness of the Company's management of material business risks.

Principle 8 – Remunerate fairly and responsibly

A separate remuneration committee has not been formed. However, the Company has adopted a Nomination and Remuneration Committee Charter. The role of the remuneration committee is carried out by the full Board in accordance with the Nomination and Remuneration Committee charter. The charter details how the Board fulfils its duties in regards to the Company's remuneration plans, policies and practices, including the compensation of non-executive directors, executive directors and management. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate committee.

The Board has provided disclosure within this Annual Report in relation to Directors' remuneration and remuneration policies in accordance with the ASX Listing Rules and the Corporations Act. There are no retirement schemes or retirement benefits other than statutory benefits for non-executive directors.

The Company has a policy to prohibit its directors and employees, who participate in an equity-based incentive plan of the Company, from entering into transactions which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities. Directors and employees are encouraged to take sufficient professional advice in relation to their individual financial position.


ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Shareholdings

The issued capital of the Company as at 19 November 2012 is 379,999,473 ordinary fully paid shares. All issued ordinary fully paid shares carry one vote per share. There are no listed options. The number of ordinary shares subject to voluntary escrow is nil.

Ordinary Shares

Shares Range	Holders	Units	%
1-1,000	1,099	178,229	0.05
1,001-5,000	336	840,111	0.22
5,001-10,000	59	447,156	0.12
10,001-100,000	78	2,519,880	0.66
100,001-9,999,999	154	376,014,097	98.95
Total	1,726	379,999,473	100.00

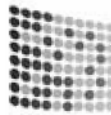
Shareholders by Location	No. of Holders	No. of Shares
Australian holders	1,615	353,725,793
Overseas holders	111	26,273,680
Total	1,726	379,999,473

Unmarketable parcels

There were 1,577 holders of less than a marketable parcel of ordinary shares.

2. Top 20 Shareholders as at 19 November 2012

	Name	Number of Shares	%
1	Trident Capital Pty Ltd	48,500,000	12.76%
2	Citicorp Nominees Pty Ltd	26,505,449	6.98%
3	Aegean Cap Pty Ltd <Spartacus Account>	17,500,000	4.61%
4	Kobia Holdings Pty Ltd	16,666,800	4.39%
5	Jemaya Pty Ltd <Featherby Fam A/C>	16,666,600	4.39%
6	Tranquillo Investments Ltd	16,666,600	4.39%
7	Ross David + Albarran R	12,280,509	3.23%
8	Jemaya Pty Ltd <JH Featherby S/F A/C>	8,470,500	2.23%
9	HSBC Custody Nom Aust Ltd	7,023,774	1.85%
10	Suen Sherman Lam Yuen	6,000,000	1.58%
11	BT Portfolio Services <Warrell Hldgs S/F>	5,000,000	1.32%
12	Twofivetwo Pty Ltd	5,000,000	1.32%
13	Lloyd Price Carnarvon Pty Ltd <King Fam Security>	5,000,000	1.32%
14	Southern Terrain Pty Ltd <Southern Terrain A/C>	4,500,000	1.18%
15	Low Ryan Mark <Low Fam A/C>	4,500,000	1.18%
16	De Nicola Anthony + T L <De Nicola S/F A/C>	4,250,000	1.12%
17	Bahen Mark John + M P <Super A/C>	4,000,000	1.05%
18	Woodlands Asset Mgnt	4,000,000	1.05%
19	RI Fraser + Assoc Pty Ltd <Jomi Inv A/C>	4,000,000	1.05%
20	Insubi Pty Ltd <Donnelly A/C>	4,000,000	1.05%
		220,530,232	58.05%

**ASX Additional Information (continued)****3. Substantial Shareholders as at 19 November 2012**

	Name	Number of Shares	%
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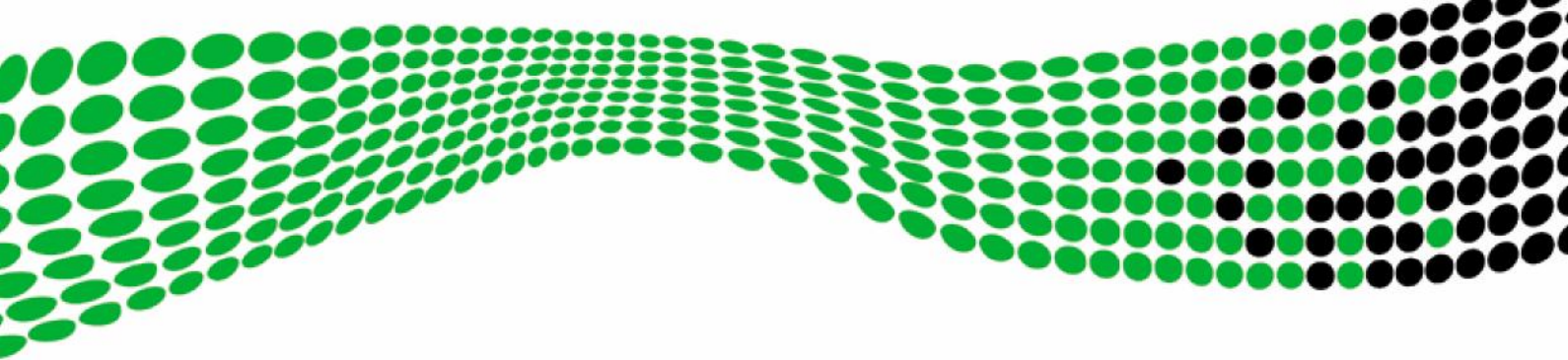
1	Trident Capital Pty Ltd	48,500,000	12.76%
2	Citicorp Nominees Pty Ltd	26,505,449	6.98%

4. Unquoted equity securities

There are currently nil unlisted securities of the Company as at 19 November 2012.

5. Voting Rights

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney, representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the then existing fully paid ordinary share.



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