



Reclaim Industries Limited

ABN 47 090 671 819

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ASX ANNOUNCEMENT

RELEASE DATE: 24 February 2006

TO: Manager Companies

Australian Stock Exchange

Company Announcements Office

CONTACT: Tim King (08 9322 5222)

RE: Appendix 4D and Interim Financial Report

PAGES: 1 of 25

Dear Sirs,

Please see attached Appendix 4D and Interim Financial Report for period ending 31 December 2005.

Yours sincerely,

Reclaim Industries Limited

A handwritten signature in black ink, appearing to be "Tim King", written over a horizontal line.

Timothy King
Director

Appendix 4D

Half Year Information given to the Australian Stock Exchange under listing rule 4.2A

Name of Entity	Reclaim Industries Limited
ABN or equivalent reference	47 090 671 819
Reporting Period	31 December 2005
Previous Corresponding Reporting Period	31 December 2004

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

Appendix 4D Contents	Item
Results for announcement to the market	1.
Net tangible assets per ordinary share	2.
Details of controlled entities	3.
Details of associates and joint venture entities	4.
Dividends	5.
Accounting Standards	6.
Audit Disputes or Qualifications	7.

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up/down	34.1%	to	\$5,609,772
Profit / (loss) from ordinary activities after income tax attributable to members	up/down	116.1%	to	\$87,427
Net profit / (loss) for the period attributable to members	up/down	116.1%	to	\$87,427

Dividends per share	Amount per share	Franked amount per share at% tax
	Final	Nil Cents
	Interim	Nil Cents

Record date for determining entitlement to dividends N/A

The directors do not recommend paying a dividend.

Current Period	Previous corresponding period
\$0.037	\$0.069

2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA Backing)

3. DETAILS OF CONTROLLED ENTITIES

3.1 Control Gained Over Entities During the Period

Name of Entity	N/A	N/A	N/A
Date control acquired, i.e. date from which profit/(loss) has been calculated	N/A	N/A	N/A
Profit / (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period since the date on which control was acquired.	\$N/A	\$N/A	\$N/A
Profit / (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.	\$N/A	\$N/A	\$N/A

3.2 Loss of Control of Entities During the Period

Name of Entity	N/A	N/A	N/A
Date of loss of control i.e. date until which profit/(loss) has been calculated	N/A	N/A	N/A
Profit / (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period since the date on which control was lost.	\$N/A	\$N/A	\$N/A
Profit / (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.	\$N/A	\$N/A	\$N/A
Contribution to consolidated profit / (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control.	\$N/A	\$N/A	\$N/A

4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

4.1 Equity Accounted Associates and Joint Venture Entities

Name of Entity	% Ownership Interest		Contribution to Net Profit	
	Current Period %	Previous Corresponding Period %	Current Period A\$'000	Previous Corresponding Period A\$'000
N/A	N/A	N/A	N/A	N/A

4.2 Aggregate Share of Profits (Losses) of Associates and Joint Venture Entities

Groups' Share of Associates and Joint Venture Entities:

	Current Period A\$'000	Previous Corresponding Period A\$'000
Profit (Loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Profit (Loss) from ordinary activities after tax	N/A	N/A
Extraordinary Items net of tax	N/A	N/A
Net profit (loss)	N/A	N/A
Adjustments	N/A	N/A
Share of net profit (loss) of associates and joint venture entities	N/A	N/A

5 DIVIDENDS

5.1 Dividends per Share

	Amount per share	Franked amount per share at ...% tax	Amount per share of foreign source
Final			
- current period	Nil cents	N/A cents	N/A cents
- previous corresponding period	Nil cents	N/A cents	N/A cents
Interim			
- current period	Nil cents	N/A cents	N/A cents
- previous corresponding period	Nil cents	N/A cents	N/A cents

5.2 Total Dividends

	Current Period A\$'000	Previous Corresponding Period A\$'000
Interim – paid/payable on (date)	N/A	N/A
Final – paid/payable on (date)		

All dividends reflected as distributions above were paid during the period.

5.3 Dividend Reinvestment Plan

N/A

The last date for receipt of election notices for participation in any dividend reinvestment plan.

N/A

6 ACCOUNTING STANDARDS

Accounting Standards including AASB 134 “Interim Financial Reporting”, Urgent Issues Group Views and other Authoritative pronouncements of the Australian Accounting Standards Board have been used in compiling the information contained in this Appendix 4D.

7 AUDIT DISPUTES OR QUALIFICATIONS

None.



RECLAIM INDUSTRIES LTD

ABN 47 090 671 819

AND CONTROLLED ENTITIES

HALF YEAR REPORT

AND

HALF YEAR ACCOUNTS

FOR THE 6 MONTHS ENDED

31 DECEMBER 2005

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**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

INTERIM FINANCIAL REPORT

DIRECTOR'S REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2005.

Directors

Timothy King (Chairman)
Konrad Floan (Executive Director)
Christopher Forrester (Executive Director)

Review of Operations

The six months ended 31 December 2005 was highlighted with strong sales growth of 34.1% over the comparative half year to 31 December 2004, and a return to profitability for the first time since the December 2002 half.

The results were also characterised by:

- Improvements in all expenditure as a percentage of revenues largely driven by the significant boost in revenue;
- Increased productivity from Whole Tyre Reduction and a small decrease in repairs and maintenance as production line improvements have started to increased efficiencies and through put.;
- No significant losses of key staff; and
- Improvements with regional reporting and control systems.

As detailed in the Annual Report and the 2004 half-year report the company continued to build on the improvements that were identified and develop the strategies for improvements in the business. The success of these initiatives has seen a significant turn around in the operations of the business though there is still considerable work to be done on further enhancements.

The cash flow has improved substantially mostly through improved debtor management. However debtor management was assisted by better installation procedures leading to a double positive in a decline in warranty work and therefore fewer payment disputes. \$155,676 was spent during the period on upgrading plant and equipment and these should result in further cash savings in repairs and maintenance, improved production rates and decreases in hire charges.

The company's ability to source supplies of waste truck tyres also gained momentum, with the usual October to January spike in waste truck tyres delivering substantially more product this year as a result of supply contracts that the company now has in place.

The revenue has continued strongly into January 2006 and the order book is substantial.

**RECLAIM INDUSTRIES LTD
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AND CONTROLLED ENTITIES**

INTERIM FINANCIAL REPORT

DIRECTOR'S REPORT

Auditors' Independence Declaration

The Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is attached at page 20 and forms part of this directors report.

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



Director:

Dated this 24th day of February 2006

**RECLAIM INDUSTRIES LTD
ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

Consolidated		
	31 December 2005 \$	31 December 2004 \$
Note		
Revenue from ordinary activities	5,609,772	4,183,993
Expenses from ordinary activities		
Raw materials and consumables used	1,521,170	1,174,422
Depreciation / Amortisation	113,775	122,098
Employee benefits expense	1,701,072	1,342,197
Borrowing costs expense	1,890	2,268
Freight	224,058	264,275
External contractors expense	994,913	863,047
Leases and equipment rental	219,605	195,341
Travel and related expenses	149,955	158,687
Motor vehicle expenses	109,430	110,314
Utilities	87,151	110,603
Repairs and Maintenance	145,088	148,411
Advertising	39,242	57,601
Other expenses	214,996	173,285
Total Expenses from ordinary activities	5,522,345	4,722,549
Profit / (Loss) taken from ordinary activities before income tax expense	87,427	(538,556)
Income tax expense relating to ordinary activities	0	0
Net Profit / (Loss) from ordinary activities after income tax attributable to members of Reclaim Industries Ltd	87,427	(538,556)
Basic earnings per share (cents per share)	0.14 cents	(2.1 cents)
Diluted earnings per share (cents per share)	-	-

The accompanying notes form part of this Condensed Income Statement.

**RECLAIM INDUSTRIES LTD
ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005**

		Consolidated	
	Note	31 December 2005 \$	30 June 2005 \$
CURRENT ASSETS			
Cash assets		995,285	65,844
Receivables		1,055,628	1,334,000
Inventories		523,062	484,106
Other		172,753	79,156
TOTAL CURRENT ASSETS		2,746,728	1,963,106
NON-CURRENT ASSETS			
Property, Plant and Equipment		817,099	788,101
TOTAL NON-CURRENT ASSETS		817,099	788,101
TOTAL ASSETS		3,563,827	2,751,207
CURRENT LIABILITIES			
Payables		1,052,161	1,030,454
Interest-bearing liabilities		10,744	16,721
Provisions		126,632	245,303
TOTAL CURRENT LIABILITIES		1,189,537	1,292,478
NON-CURRENT LIABILITIES			
Interest bearing liabilities		33,389	16,500
Provisions		6,600	-
TOTAL NON-CURRENT LIABILITIES		39,989	16,500
TOTAL LIABILITIES		1,229,526	1,308,978
NET ASSETS		2,334,301	1,442,229
EQUITY			
Contributed Equity		5,090,190	4,295,032
Reserves		13,474	-
(Accumulated losses)		(2,769,363)	(2,852,803)
TOTAL EQUITY		2,334,301	1,442,229

The accompanying notes form an integral part of this Condensed Balance Sheet.

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Consolidated	
	31 December 2005	31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,413,776	4,821,257
Payment to suppliers and employees	(6,143,895)	(5,138,684)
Interest received	13,748	4,576
Borrowing costs	(1,890)	(2,268)
Net cash provided by/(used in) operating activities	281,739	(315,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	-	5,000
Purchase of property, plant & equipment	(155,676)	(24,248)
Payments for investments in companies	-	-
Net cash provided by/(used in) investing activities	(155,676)	(19,248)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from shareholders rights take-up	792,466	540,741
New finance leases	21,772	-
Repayment of finance leases	(10,860)	(5,598)
Net cash provided by/(used in) financing activities	803,378	535,143
Net increase/(decrease) in cash held	929,441	200,776
Cash at 1 July 2005 / 2004	65,844	464,477
Cash at 31 December 2005 / 2004	995,285	665,253

The accompanying notes form an integral part of this Condensed Statement of Cash flows.

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Issued Capital	Retained Profits / Accumulated Losses	Other Reserves	Total Equity
At 1 July 2004	3,559,370	(1,756,149)	0	1,803,221
Loss for the period		(538,556)		(538,556)
Share based payment expense		(800)	800	0
Issue of share capital – (1)	503,957			503,957
At 31 December 2004	4,063,327	(2,295,505)	800	1,768,622
Loss for the period		(558,098)		(558,098)
Share based payment expense		(3,191)	3,191	0
Issue of share capital – (1)	231,705			231,705
At 30 June 2005	4,295,032	(2,856,794)	3,991	1,442,229
Profit for the period		87,427		87,427
Share based payment expense			9,483	9,483
Issue of share capital	795,158			795,158
At 31 December 2005	5,090,190	(2,769,363)	13,474	2,334,301

(1) The Issue of share capital in December 2004 was completed in January 2005.

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
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**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 1: Basis of preparation

- i. The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standards including AASB 134: "Interim Financial Reporting", Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended June 2005 and any publications made by Reclaim Industries Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*. The half-year report does not include full disclosures of the type normally included in an annual financial report.

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRSs") Compliance with AIFRSs ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

This is the first half-year financial report which has been prepared using Australian equivalents to International Financial Reporting Standards ("AIFRSs") and comparatives have been restated accordingly. Reconciliations of equity, retained earnings and profit under the previous accounting standards and AIFRSs have been included at note 5.

Going Concern

The accounts of the consolidated group have been prepared on a going concern basis, notwithstanding prior year losses. This basis is dependent upon the continued profitability of the group to which the directors have made initiatives to achieve, and/or future fund raising as necessary.

- ii. **Impact of Adopting AASB Equivalents to IASB Standards**

Set out below are the key areas where accounting policy has changed and Reclaim Industries Limited has quantified these changes below each of the categories.

Impairment of Assets

Under Accounting Standard AASB 136 'Impairment of Assets', the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy, it is likely that

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
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**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 1: Basis of preparation (continued)

impairment of assets will be recognised sooner and that the amount of write-downs charged to the Statement of Financial Performance could be greater.

There was no immediate impact on Reclaim Industries Limited with this change.

Share based payments

Under Accounting Standard AASB 2, the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognises this as an expense in the statement of financial performance.

The immediate impact on Reclaim Industries Limited from this change was an increase in the accumulated losses of the business of \$3,991 as at 30 June 2005.

Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to AASB 112 Income Taxes, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of financial position or a tax-based balance sheet.

Any initial adjustments to calculate deferred tax assets and liability balances on transition using the new basis will be made through opening balances of retained earnings at 1 July 2004. Deferred tax asset and liability balances at 1 July 2004 can only be calculated once all other opening balance sheet amounts at have been finalised at that date.

There was no immediate impact on Reclaim Industries Limited with this change.

Note 2: Contingent Liabilities

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

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 3: Subsequent Events

No matter or circumstance has arisen since 31 December 2005 that has significantly affected or may affect the consolidated entities operations, the results of those operations or the state of affairs in future financial years other than those disclosed elsewhere in these financial statements.

Note 4: Segment Information

The Consolidated Entity operates in predominantly one business segment being the manufacture of recycled rubber and its associated products. The Consolidated Entity operates in predominantly one geographical segment being Australia.

Note 5: Impact of Adopting Australian Equivalents to International Financial Reporting Standards ("AIFRSs")

Share-based payments

AASB 2; Share-Based Payments has been applied to Employee Share Plan shares that were granted and had not vested by 1 January 2005.

Reconciliation of retained earnings presented under AGAAP to that under AIFRSs

		Consolidated Entity		
		30-Jun-05	31-Dec-04	1-Jul-04
	Note	\$	\$	\$
Accumulated losses under AGAAP		2,852,803	2,294,705	1,756,149
Share-based payment expense	(i)	3,991	800	0
Accumulated losses under AIFRSs		2,856,794	2,295,505	1,756,149

(i) Share-based payments must now be expensed under AIFRSs, AASB 2: Share-Based Payments. Shares were issued to employees under the companies Employee Share Plan. The retrospective adjustment has no impact on equity as the increase in the accumulated losses is equally off-set by the increase in the Employee Share Plan Reserve. The retained earnings impact is shown above.

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 6: Explanation of Transition to Australian Equivalents to IFRSs

(1) Reconciliation of equity reported under Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRSs)

a) At date of transition to AIFRS: 1 July 2004.

	Consolidated		
	Previous AGAAP	Effect of Transition to AIFRS	AIFRS
	\$	\$	\$
CURRENT ASSETS			
Cash assets	464,477	-	464,477
Receivables	1,047,181	-	1,047,181
Inventories	371,166	-	371,166
Other	17,782	-	17,782
TOTAL CURRENT ASSETS	1,900,606	-	1,900,606
NON-CURRENT ASSETS			
Property, Plant and Equipment	960,763	-	960,763
TOTAL NON-CURRENT ASSETS	960,763	-	960,763
TOTAL ASSETS	2,861,369	-	2,861,369
CURRENT LIABILITIES			
Payables	919,817	-	919,817
Interest-bearing liabilities	13,465	-	13,465
Provisions	113,646	-	113,646
TOTAL CURRENT LIABILITIES	1,046,928	-	1,046,928
NON-CURRENT LIABILITES			
Interest bearing liabilities	11,220	-	11,220
TOTAL NON-CURRENT LIABILITIES	11,220	-	11,220
TOTAL LIABILITIES	1,058,148	-	1,058,148
NET ASSETS	1,803,221	-	1,803,221
EQUITY			
Contributed Equity	3,559,370	-	3,559,370
(Accumulated losses)	(1,756,149)	-	(1,756,149)
TOTAL EQUITY	1,803,221	-	1,803,221

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 6: Explanation of Transition to Australian Equivalents to IFRSs (continued)

(1) Reconciliation of equity reported under Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRSs)

b) At end of last half year reporting period under previous AGAAP: 31 December 2004.

	Consolidated		
	Previous AGAAP	Effect of Transition to AIFRS	AIFRS
	\$	\$	\$
CURRENT ASSETS			
Cash assets	665,253	-	665,253
Receivables	1,269,914	-	1,269,914
Inventories	371,228	-	371,228
Other	121,646	-	121,646
TOTAL CURRENT ASSETS	<u>2,428,041</u>	-	<u>2,428,041</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	856,197	-	856,197
TOTAL NON-CURRENT ASSETS	<u>856,197</u>	-	<u>856,197</u>
TOTAL ASSETS	<u>3,284,238</u>	-	<u>3,284,238</u>
CURRENT LIABILITIES			
Payables	1,370,734	-	1,370,734
Interest-bearing liabilities	13,465	-	13,465
Provisions	125,795	-	125,795
TOTAL CURRENT LIABILITIES	<u>1,509,994</u>	-	<u>1,509,994</u>
NON-CURRENT LIABILITES			
Interest bearing liabilities	5,622	-	5,622
TOTAL NON-CURRENT LIABILITIES	<u>5,622</u>	-	<u>5,622</u>
TOTAL LIABILITIES	<u>1,515,616</u>	-	<u>1,515,616</u>
NET ASSETS	<u>1,768,622</u>	-	<u>1,768,622</u>
EQUITY			
Contributed Equity	4,063,327	-	4,063,327
Reserves	-	800	800
(Accumulated losses)	(2,294,705)	(800)	(2,295,505)
TOTAL EQUITY	<u>1,768,622</u>	-	<u>1,768,622</u>

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 6: Explanation of Transition to Australian Equivalents to IFRSs (continued)

(1) Reconciliation of equity reported under Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRSs)

c) At end of last full year reporting period under previous AGAAP: 30 June 2005.

	Consolidated		
	Previous AGAAP	Effect of Transition to AIFRS	AIFRS
	\$	\$	\$
CURRENT ASSETS			
Cash assets	65,844	-	65,844
Receivables	1,334,000	-	1,334,000
Inventories	484,106	-	484,106
Other	79,156	-	79,156
TOTAL CURRENT ASSETS	1,963,106	-	1,963,106
NON-CURRENT ASSETS			
Property, Plant and Equipment	788,101	-	788,101
TOTAL NON-CURRENT ASSETS	788,101	-	788,101
TOTAL ASSETS	2,751,207	-	2,751,207
CURRENT LIABILITIES			
Payables	1,030,454	-	1,030,454
Interest-bearing liabilities	16,721	-	16,721
Provisions	245,303	-	245,303
TOTAL CURRENT LIABILITIES	1,292,478	-	1,292,478
NON-CURRENT LIABILITES			
Interest bearing liabilities	16,500	-	16,500
Provisions	-	-	-
TOTAL NON-CURRENT LIABILITIES	16,500	-	16,500
TOTAL LIABILITIES	1,308,978	-	1,308,978
NET ASSETS	1,442,229	-	1,442,229
EQUITY			
Contributed Equity	4,295,032	-	4,295,032
Reserves	-	3,991	3,991
(Accumulated losses)	(2,852,803)	(3,991)	(2,856,794)
TOTAL EQUITY	1,442,229	-	1,442,229

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 6: Explanation of Transition to Australian Equivalents to IFRSs (continued)

(2) Reconciliation of profit / (loss) under previous AGAAP to profit / (loss) under Australian equivalents to IFRSs (AIFRSs)

a) Reconciliation of Profit or Loss for the half-year 31 December 2004.

	Consolidated		
	Previous AGAAP	Effect of Transition to AIFRS	AIFRS
	\$	\$	\$
Revenue from ordinary activities	4,183,993	-	4,183,993
Expenses from ordinary activities			
Raw materials and consumables used	1,174,422	-	1,174,422
Depreciation / Amortisation	122,098	-	122,098
Employee benefits expense	1,342,197	800	1,342,997
Borrowing costs expense	2,268	-	2,268
Freight	264,275	-	264,275
External contractors expense	863,047	-	863,047
Leases and equipment rental	195,341	-	195,341
Travel and related expenses	158,687	-	158,687
Motor vehicle expenses	110,314	-	110,314
Utilities	110,603	-	110,603
Repairs and Maintenance	148,411	-	148,411
Advertising	57,601	-	57,601
Other expenses	173,285	-	173,285
Total Expenses from ordinary activities	4,722,549	800	4,723,349
Profit / (Loss) taken from ordinary activities before income tax expense	(538,556)	(800)	(539,356)
Income tax expense relating to ordinary activities	0	0	0
Net Profit / (Loss) from ordinary activities after income tax attributable to members of Reclaim Industries Ltd	(538,556)	(800)	(539,356)
Total changes in equity other than those resulting from transactions with owners as owners	(538,556)	(800)	(539,356)

**RECLAIM INDUSTRIES LTD ABN 47 090 671 819
AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

Note 6: Explanation of Transition to Australian Equivalents to IFRSs (continued)

(2) Reconciliation of profit / (loss) under previous AGAAP to profit / (loss) under Australian equivalents to IFRSs (AIFRSs)

b) Reconciliation of Profit or Loss for the year ended 30 June 2005.

	Consolidated		
	Previous AGAAP	Effect of Transition to AIFRS	AIFRS
	\$	\$	\$
Revenue from ordinary activities	8,426,235	-	8,426,235
Expenses from ordinary activities			
Raw materials and consumables used	2,100,889	-	2,100,889
Depreciation / Amortisation	244,897	-	244,897
Employee benefits expense	2,838,478	3,991	2,842,469
Borrowing costs expense	2,268	-	2,268
Freight	598,456	-	598,456
External contractors expense	1,789,652	-	1,789,652
Leases and equipment rental	386,263	-	386,263
Travel and related expenses	304,365	-	304,365
Motor vehicle expenses	211,017	-	211,017
Utilities	213,872	-	213,872
Repairs and Maintenance	267,213	-	267,213
Advertising	109,716	-	109,716
Other expenses	455,803	-	455,803
Total Expenses from ordinary activities	9,522,889	3,991	9,526,880
Profit / (Loss) taken from ordinary activities before income tax expense	(1,096,654)	(3,991)	(1,100,645)
Income tax expense relating to ordinary activities	0	0	0
Net Profit / (Loss) from ordinary activities after income tax attributable to members of Reclaim Industries Ltd	(1,096,654)	(3,991)	(1,100,645)
Total changes in equity other than those resulting from transactions with owners as owners	(1,096,654)	(3,991)	(1,100,645)

**RECLAIM INDUSTRIES LIMITED ABN 47 090 671 819
AND CONTROLLED ENTITIES**

DIRECTOR'S DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 16 are in accordance with the Corporations Act 2001 and:
 - (a) Comply with the Accounting Standards and the Corporations Regulations; and
 - (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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



Timothy King
Chairman

Dated this 24th day of February 2006

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF RECLAIM INDUSTRIES LIMITED

Scope

We have reviewed the financial report comprising the Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity, accompanying notes and Directors' Declaration of Reclaim Industries Limited for the half-year ended 31 December 2005. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

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

The auditors independence declaration has been given to the directors in accordance with section 307C of the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reclaim Industries Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As described in Note 1, the ability of the company to continue as a going concern is dependant on initiatives put in place by the board to return to profitability and/or future fundraising as necessary.

BDO
Chartered Accountants



BG McVeigh
Partner

Perth, Western Australia
24 February 2006



Chartered Accountants
& Advisers

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23 February 2006

The Directors
Reclaim Industries Ltd
PO Box 1519
BIBRA LAKE WA 6965

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF RECLAIM INDUSTRIES LIMITED

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BDO
Chartered Accountants

BG McVeigh
Partner

