

30th September 2011

Final Accounts to 30th June 2011

In the Company's preliminary accounts interest receivable on convertible notes issued by Mears Technologies Inc. was not brought to account. The final accounts reflect this interest as income and accordingly the loss has been reduced to \$1.843m. from \$1.964m.

K2 Energy Limited's convertible notes in Mears Technologies Inc. have now been converted to issued stock in Mears Technologies Inc., with an effective date of 15th June 2011, and in accordance with the terms of the convertible note, the interest payable to K2 Energy has been capitalised and hence is brought to account in the company's accounts as at 30 June 2011. The company's investment in Mears Technologies Inc. is now reflected as "shares in unlisted company".

In respect of the company's investment in Mears Technologies Inc., made in June 2011, the full amount of the additional investment, including the deferred component of \$79k to be paid in December, has been recorded as an investment and a current liability reflects the deferred component of the investment.