TechStar Limited

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123 Eagle Street, Brisbane 4000

Telephone: 07 3221 0679
Facsimile: 07 3832 3234
ABN 49 089 206 986
ASX Code: TSR

Appendix 4D

For the half year ended 31 December 2006

Appendix 4D

Name of entity

TechStar Limited

ABN or equivalent company reference	Half Year ended ('current period')
ABN 49 089 206 986	**31 December 2006**

Results for announcement to the market

			A$
Total Revenues	Down	26% to	**4,125**
Net profit/(loss) for the period attributable to members	Up	- to	**1,387,637**

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Previous corresponding period		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

Brief explanation of any of the figures reported above:
Refer to review of operations in the attached documents.

Net tangible asset backing	Current year	Previous year
Net tangible asset backing per ordinary security	**0.01 cents**	(0.17) cents

Earnings per share	Current year	Previous year
Basic profit/(loss) per share (cents)	**0.7**	(0.8)
Diluted profit/(loss) per share (cents)	**0.7**	(0.8)
Weighted average number of shares used in calculating basic profit or loss per share	**206,332,314**	56,419,652
Weighted average number of shares used in calculating diluted profit or loss per share	**206,675,316**	58,455,533
The amount used in the numerator in calculating basic earnings per share is the same as the net loss attributable to members reported in Income Statement.		
The calculation of diluted earnings per share involves adjusting basic earnings per share to reflect the existence of dilutive securities. This implies adjustments to increase the denominator to reflect that more shares would be on issue if conversion occurred.		

Change in composition of entity

On 31st October 2006 the consolidated entity sold its investment in SportzWhistle Pty Ltd. On 29th November 2006 the consolidated entity acquired Ipoh Pacific Resources Pty Ltd.

Details of associates and joint venture entities

The reporting entity holds a minority investment in the company CRC Care Pty Ltd. CRC Care Pty Ltd is involved in the development of bentonite technologies and environmental technologies.

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Brian Peter Jones *(Chairman, Non-Executive Director)*
Paul James Byrne *(Executive Director)*
Christopher Paul Dredge *(Executive Director)*
John James Fick *(Executive Director)*
John William Laurie *(Non-Executive Director)*
Peter Alexander Ziegler *(Non-Executive Director)*

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recorded a profit for the half year of $1,387,637 (2005, loss $465,391). This profit consisted of the excess of the independent value of Ipoh Pacific Resources Pty Ltd over the consideration, debt forgiveness of the vendors of Ipoh Pacific Resources Pty Ltd and the reversal of an accrual for research and expenditure.

During this half year the Company completed the acquisition of Ipoh Pacific Resources Pty Ltd, continued the development of its bentonite-based environmental remediation technologies, completed the sale of an original technology, and received new equity through a share offer to shareholders and placements to sophisticated investors under section 708 of the Corporations Act 2001.

The acquisition of Ipoh Pacific Resources ("IPR") was approved at the AGM on the 29th November 2006. The major asset of IPR is the superior quality large bentonite resource at Mantuan Downs in Central Queensland. Mantuan Downs contains arguably the purest calcium bentonite in Australia which is reasonably believed to be on a par with the purest in the world.

Subsequent to filing the mining lease application, TechStar has been approached by major global bentonite distributors regarding supply of the product.

As part of the process towards commercial production, TechStar commenced negotiations on compensation for the local native title claimants and the pastoral lease holder. In both cases very satisfactory agreements have been reached, and the Queensland Minister for Natural Resources, Mines and Water signed the Right to Negotiate under the State Native Title Act on 26th January 2007.

Consultants, Coffey Mining, visited the Mantuan Downs resource with Director, Chris Dredge, during the period to determine site layout and operational criteria. Coffey Mining has been retained to prepare the Plan of Operations and Site Management Plans.

The company continued the development of its bentonite-based environmental technologies projects. The company met with a multi-national member of the tobacco industry regarding its patented technology to reduce organic toxins in cigarette smoke. In addition, the Company signed an agreement to work with a major Australian agricultural group on the patented technology to reduce methane emissions in livestock.

Continuing TechStar's re-focus, the sale of an original technology, Sportzwhistle, was settled in November.

The company has raised additional equity of $845,500 during the period including $365,500 from the Share Purchase Plan offered to shareholders, with the remainder placed with sophisticated investors interested in the Company.

AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001, the directors have obtained an independence declaration from the Company's auditors Sothertons as attached at page 5.

ROUNDING

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the financial report. Amounts in the financial report have been rounded in accordance with that class order to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.

Brian Jones
Chairman, Brisbane 27th February 2007

SOTHERTONS
CHARTERED ACCOUNTANTS

PARTNERS
Geoffrey J. Read
Linda E. Timms
Karen E. Keating
Anthony C. Bryen

CONSULTANT
Kenneth E. Scells

Lead Auditor's Independence Declaration
To the Directors of TechStar Limited

In accordance with Section 307C of the Corporations Act 2001 I declare that, to the best of my knowledge and belief, in relation to the audit of TechStar Limited for the financial year ended 30 June 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit

Sothertons

Sothertons - Brisbane Partnership

A C Bryen

A C Bryen
Lead Audit Partner

Dated at Brisbane this twenty-seventh day of February 2007

IGAF WORLDWIDE

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Email: sothbris@sothertons.com.au
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Sothertons: An association of independent accounting firms throughout Australasia

CONDENSED INCOME STATEMENT

HALF YEAR ENDED 31 DECEMBER 2006	Notes	Consolidated 2006 $	Consolidated 2005 $
Revenue	4	4,125	5,552
Cost of sales		-	-
Gross profit (loss)		4,125	5,433
Gain on debt forgiveness		620,616	-
Gain on acquisition of subsidiary	11	926,447	-
Other income	4	4,171	33,398
Gains (losses) on disposal of assets	5	-	5,909
Employee benefits expense	5	(109,147)	(166,150)
Depreciation and amortisation expenses		(1,984)	(5,365)
Impairment of assets	5	(2,163)	-
Research and development costs		419,436	(2,510)
Finance Costs	5	(58,683)	(32,506)
Administration expenses	5	(394,518)	(289,380)
PROFIT(LOSS) BEFORE INCOME TAX		1,408,300	(451,171)
Income tax expense		-	-
PROFIT(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		1,408,300	(451,171)
PROFIT(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	12	(20,663)	(14,220)
PROFIT(LOSS) FOR THE PERIOD		1,387,637	(465,391)
		cents	cents
Basic profit(loss) per share		0.7	(0.8)
Diluted profit(loss) per share		0.7	(0.8)

CONDENSED BALANCE SHEET

AS AT 31 DECEMBER 2006	Notes	Consolidated 31 December 2006 $	Consolidated 30 June 2006 $
CURRENT ASSETS			
Cash and cash equivalents		369,588	100,850
Trade and other receivables	6	823,350	91,751
TOTAL CURRENT ASSETS		1,192,938	192,601
NON-CURRENT ASSETS			
Other financial assets		1	-
Deferred income tax asset		-	-
Property, plant and equipment		7,897	9,240
Evaluation and exploration expenditure		3,100,000	-
Intangible assets		8,165,916	8,175,279
Research and development		-	-
TOTAL NON-CURRENT ASSETS		11,273,814	8,184,519
TOTAL ASSETS		12,466,752	8,377,120
CURRENT LIABILITIES			
Trade and other payables	7	1,931,222	2,152,126
Other financial liabilities	8	1,332,443	42,889
Income tax payable		-	-
Provisions	9	-	25,834
TOTAL CURRENT LIABILITIES		3,263,665	2,220,849
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		-	-
Financial liabilities	8	-	1,185,933
TOTAL NON-CURRENT LIABILITIES		-	1,185,933
TOTAL LIABILITIES		3,263,665	3,406,782
NET ASSETS (DEFICIENCY)		9,203,087	4,970,338
EQUITY			
Parent entity interest			
Contributed equity	10	22,821,775	19,976,275
Reserves		-	-
Accumulated losses		(13,618,688)	(15,005,937)
Total parent entity interest		9,203,087	4,970,338
Minority interest		-	-
TOTAL EQUITY		9,203,087	4,970,338

CONDENSED STATEMENT OF CHANGES IN EQUITY

HALF YEAR ENDED 31 DECEMBER 2006	Notes	Consolidated 2006 $	Consolidated 2005 $
TOTAL EQUITY AT THE BEGINNING OF THE PERIOD		4,970,338	(6,048,952)
NET INCOME(EXPENSE) RECOGNISED DIRECTLY IN EQUITY		-	-
PROFIT (LOSS) FOR THE PERIOD		1,387,637	(465,391)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		1,387,637	(465,391)
Transfers to or from reserves			
Total changes in minority interest		(388)	-
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		2,845,500	12,914,773
Dividends provided for or paid		-	-
		2,845,112	12,914,773
TOTAL EQUITY AT THE END OF THE PERIOD		9,203,087	6,400,430
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ATTRIBUTABLE TO			
Equity holders of the parent		1,387,637	(465,391)
Minority interest		-	-
		1,387,637	(465,391)

CONDENSED CASH FLOW STATEMENT

HALF YEAR ENDED 31 DECEMBER 2006	Notes	Consolidated 2006 $	Consolidated 2005 $
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,171	60,856
Payments to suppliers and employees		(404,389)	(793,261)
Interest received		4,125	5,552
Borrowing costs		(5,602)	(2,526)
Research and development expenditure		(102,064)	(14,974)
Government grants		-	41,466
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		(503,759)	(702,887)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant, equipment and financial assets		-	9,307
Acquisition of plant and equipment		-	(41,701)
Acquisition of subsidiaries		-	(157,720)
Loans to associates		-	(9,788)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		-	(199,902)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		845,500	970,000
Proceeds from borrowings		-	55,701
Repayment of borrowings		(73,003)	-
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		772,497	1,025,701
NET INCREASE/(DECREASE) IN CASH HELD		268,738	122,912
Add opening cash brought forward		100,850	47,811
CLOSING CASH CARRIED FORWARD	13	369,588	170,723

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of TechStar Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by TechStar Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the official listing rules of ASX Limited.

(b) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) Statement of compliance

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

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of TechStar Limited comply with International Financial Reporting Standards (IFRS).

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

A summary of the significant accounting policies of the group under AIFRS are disclosed in Note 1(e) below.

(d) Going concern

The consolidated entity has incurred a net profit attributable to members of $1,387,637 during the current half year and at 31 December 2006 has a deficiency in net current assets of $2,070,727. Notwithstanding the financial position of the consolidated entity outlined above, this financial report has been prepared on a going concern basis as the directors believe that the company and the consolidated entity will be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. The continuation of the company and the consolidated entity as a going concern is dependent upon their ability to achieve the following objectives:

- Capital raising to enable the development of the mining resource, development of technologies and to provide working capital.
- Continued exploration of opportunities for the sale of the intellectual property and income generated from the commercialisation of the Ipoh Pacific Limited and Exnox Technologies Limited projects.
- Development and exploitation of the Mantuan Downs bentonite resource.

However, should the anticipated sales of products and capital raisings not generate sufficient revenues and cash flows as expected, the company and consolidated entity may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(e) Intangible assets

The directors have reviewed the carrying value of the intellectual property at 31 December 2006 based on projections of future cash flows expected to be received from the projects and have concluded that the recoverable amount of the intellectual property remains unchanged since its acquisition in December 2005. The directors acknowledge that good progress has been made in commercialisation of the projects, however, due to the early stage of development of the projects and the absence of established markets, there remains a significant degree of inherent uncertainty in relation to the ultimate recovery of the intellectual property. This report does not include any adjustment of the value of the intellectual property that might be necessary should the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.

(f) Summary of significant accounting policies

(i) Basis of consolidation
The consolidated financial statements comprise the financial statements of TechStar Limited and its subsidiaries ('the Group'). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.
Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which TechStar Limited has control. Subsidiary acquisitions are included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date.

(ii) Investment in associate
Where the group has an investment in its associate it is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.
The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies. The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(iii) Interest in joint venture operation
Where the group has an interest in a joint venture operation it is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

(iv) Foreign currency translation
Both the functional and presentation currency of TechStar Limited and its Australian subsidiaries is Australian dollars (A$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.
All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.
Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.
Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(v) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.
Land and buildings are measured at fair value less accumulated depreciation.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
Plant and equipment – over 3 to 5 years
Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.
For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.
The recoverable amount of plant and equipment is the greater 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.
Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.
Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.
Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.
Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.
An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.
In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.
Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.
Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.
Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(vi) Borrowing costs
Borrowing costs are recognised as an expense when incurred.

(vii) Investment properties
Initially, investment properties are measured at cost including transaction costs.
Subsequent to initial recognition investment properties are stated at fair value.
Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.
Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.
Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

(viii) Goodwill
Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Goodwill is not amortised.
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.
Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.
Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.
Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.
Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(ix) Intangible assets
Acquired both separately and from a business combination
Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.
Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as

appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.
Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.
Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.
Research and development costs
Research costs are expensed as incurred.
Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.
Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.
Any expenditure carried forward is amortised over the period of expected future sales from the related project.
The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.
A summary of the policies applied to the Group's intangible assets is as follows:
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(x) Recoverable amount of assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.
Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.
Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.
Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(xi) Investments
All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.
After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value.
Gains or losses on investments held for trading are recognised in the income statement.
Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.
Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.
Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.
For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.
For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.
For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.
Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(xii) Inventories
Inventories are valued at the lower of cost and net realisable value.
Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Raw materials – purchase cost on a first-in, first-out basis;

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(xiii) Trade and other receivables
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.
An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xiv) Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.
For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(xv) Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.
Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(xvi) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.
If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xvii) Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.
Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.
Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(xviii) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:
Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.
Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.
Dividends
Revenue is recognised when the shareholders' right to receive the payment is established.

(xix) Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.
Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(xx) Income tax
Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.
Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xxi) Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.
Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xxii) Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(xxiii) Derivative financial instruments
The Group may use derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.
The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.
For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.
In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.
Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.
When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.
For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.
For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.
At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.
If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(xxiv) Exploration and evaluation expenditure
Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology in an undiscounted basis.

Any changes in estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly these costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

2. FINANCIAL RISK MANAGMENT

The Group's activities exposes it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies set by the Senior Management and approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Price risk
The Group is exposed to bentonite commodity price risk. As it develops the Mantuan Downs project the Group's capacity to raise additional funds is dependent upon commodity prices.

(ii) Fair value interest rate risk
Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability of the Group to raise funds on the capital markets. The Senior Management and the Board continue to monitor the Group's financial position to ensure that it has available funds to meet its ongoing commitments.

(d) Cash flow and fair value interest rate risk

There are no interest-bearing assets or liabilities that are materially exposed to changes in market interest rates.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Group does not have long term borrowings as and consequently does not have an interest-rate risk arising from long-term borrowings.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Intangible Assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'amortisation expenses' line item.

(ii) Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised for the half year ended 31 December 2006 in respect of the intangible assets acquired with Ipoh Pacific Limited and Exnox Technologies Limited. No impairment has been recognized in respect of the value of the mining tenement acquired with Ipoh Pacific Resources Pty Ltd. Should the projected turnover figures vary significantly from the budgeted figures incorporated in the value-in-use calculations an impairment loss would be recognised up to the maximum carrying value of the relevant assets as at 31 December 2006.

(b) Critical judgments in applying the entity's accounting policies

(i) Recovery of deferred tax assets

Deferred tax assets have not been recognised for deductible temporary differences as management considers that it is not probable that taxable profits will be available in the immediate future in sufficient quantities to utilise those temporary differences.

		Notes	Consolidated 2006 $	Consolidated 2005 $
4	**REVENUE**			
	Revenue			
	Sale of goods		-	-
	Rendering of Services		-	-
	Interest		4,125	5,433
			4,125	5,433
	Other income			
	Compensation for impairment(loss) of property, plant and equipment		-	3,398
	Government grants		-	30,000
	Royalties		4,171	-
	Other		-	-
			4,171	33,398
5	**ITEMS INCLUDED IN PROFIT (LOSS)**			
	Gains(losses) on disposal of assets			
	Property, plant and equipment		-	5,909
			-	5,909
	Employee benefits expense			
	Wages and salaries		103,793	151,006
	Defined contribution plans		5,354	15,144
			109,147	166,150
	Impairment of assets			
	Impairment losses recognised in profit or loss:			
	- diminution in value of loans receivable		2,163	-
			2,163	-
	Finance Costs			
	Interest expense		57,884	32,465
	Other borrowing costs		799	41
			58,683	32,506
	Other expenses			
	Bad debts written off		863	200
	Foreign currency exchange differences		(4)	(10)
	Administration expenses		393,659	289,190
			394,518	289,380
	Specified directors and specified executives			
	Interest expense from transactions with directors		46,580	29,979

Gain on debt forgiveness

Separate from but conditional upon completion of Techstar Limited's acquisition of Ipoh Pacific Resources Pty Ltd, the directors Paul Byrne and Christopher Dredge agreed to forgive specific debts owing to them by TechStar Limited.

	Notes	Consolidated 31 December 2006 $	Consolidated 30 June 2006 $
6 TRADE AND OTHER RECEIVABLES			
Current			
Trade accounts receivable		-	5,899
Less: Provision for doubtful debts		-	(3,737)
		-	2,162
Amounts receivable from related parties:			
Loans to directors/related parties		-	70,831
Other receivables		2,826	500
Prepayments		820,524	18,258
		823,350	91,751

Prepayments includes $800,000 for future research and development expenditure to be completed by CRC Care Pty Ltd. The $800,000 prepayment will be recognised in the income statement following the completion or satisfaction of the conditions or requirements stipulated in the agreement entered into for the provision of this funding to CRC Care Pty Ltd.

7 TRADE AND OTHER PAYABLES			
Current			
Trade accounts payable		1,631,292	1,373,647
Amounts payable to related parties - directors		299,930	778,479
		1,931,222	2,152,126

Trade and other payables includes the obligation to pay $800,000 to CRC Care Pty Ltd for future research and development expenditure. The discharge of this $800,000 liability is dependant upon the extent of completion or satisfaction of certain conditions or requirements stipulated in the agreement entered into for the provision of this funding to CRC Care Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated 31 December 2006 $	Consolidated 30 June 2006 $
8 OTHER FINANCIAL LIABILITIES			
Current			
Unsecured borrowings			
- bank overdraft		-	-
- director related entities		620,890	35,279
- other entities		21,574	7,610
Secured borrowings			
- finance lease liabilities		-	-
- director related entities		689,979	-
- other entities		-	-
		1,332,443	42,889
Non-current			
Unsecured borrowings			
- director related entities		-	526,200
- other		-	-
Secured borrowings			
- secured lease liability - finance lease		-	-
- director related entities		-	659,733
- other		-	-
		-	1,185,933
9 PROVISIONS			
Current			
Employee benefits		-	25,697
Warranty provision		-	137
		-	25,834
10 CONTRIBUTED EQUITY			
(a) Issued and paid up capital			
Ordinary shares fully paid		23,421,885	20,576,385
Less: Equity raising costs		(600,110)	(600,110)
		22,821,775	19,976,275

(b) Movements in shares on issue (parent)

	1 July 2006 to 31 December 2006 Number of shares	1 July 2006 to 31 December 2006 $	1 July 2005 to 30 June 2006 Number of shares	1 July 2005 to 30 June 2006 $
Beginning of financial period	192,751,606	19,976,275	43,996,697	6,761,502
Issued during year				
- shares issued to other parties including employees	59,137,508	2,845,500	148,754,909	13,214,773
- listed share option exercised	-	-	-	-
- employee share options exercised	-	-	-	-
End of the financial period	251,889,114	22,821,775	192,751,606	19,976,275

11 CHANGE IN COMPOSITION OF ENTITY

Acquisition of Ipoh Pacific Resources Pty Ltd

On 29 November 2006, TechStar Limited acquired 100% of the voting shares of Ipoh Pacific Resources Pty Ltd.

In connection with the acquisition, TechStar Limited paid no cash consideration and issued 40,000,000 ordinary shares with a fair value of $0.05 each.

The net fair value of the identifiable assets , liabilities and contingent liabilities exceeded the cost of the business combination by $926,447 which amount has been included in profit or loss and included in "Gain on acquisition of subsidiary". The excess represents the fair value of the mining tenement in the accounts of Ipoh Pacific Resources Pty Ltd at the time of acquisition.

From the date of acquisition, Ipoh Pacific Resources Limited contributed a loss of $4,321 to the net profit or loss of the Group.

Amounts of classes of acquiree's assets, liabilities and contingent liabilities recognised at acquisition date:

	Carrying value immediately before acquisition	Amounts recognised at acquisition date
	$	$
Cash and cash equivalents	778	778
Trade and other receivables	3,053	3,053
TOTAL CURRENT ASSETS	3,831	3,831
Receivables	-	-
Other financial assets	-	-
Property, plant and equipment	-	-
Exploration and evaluation expenditure	3,100,000	3,100,000
TOTAL NON-CURRENT ASSETS	3,100,000	3,100,000
TOTAL ASSETS	3,103,831	3,103,831
Trade and other payables	-	-
TOTAL CURRENT LIABILITIES	-	-
Secured Loans	-	-
Unsecured Loans	177,384	177,384
Lease Liabilities	-	-
Provision for employee benefits	-	-
TOTAL NON-CURRENT LIABILITIES	177,384	177,384
TOTAL LIABLITIES	177,384	177,384
NET ASSETS	2,926,447	2,926,447
Cost of Combination/Consideration:		
Cash and cash equivalents		-
TechStar Limited ordinary shares issued at fair value		2,000,000
Costs directly attributable to acquisition:		
Professional fees		-
Total consideration		2,000,000
Cashflow on acquisition is as follows:		
Net cash acquired with subsidiary		778
Cash paid		-
Net cashflow		778

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

12 DISCONTINUED OPERATIONS

Disposal of SportzWhistle Pty Ltd

On 31st October 2006 the consolidated entity completed the sale of the subsidiary SportzWhistle Pty Ltd, thereby discontinuing its operations in the projects associated with SportzWhistle Pty Ltd. SportzWhistle Pty Ltd was previously included with the Technology Development segment of the consolidated entity.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of disposal which is included in the profit/(loss) from discontinued operations per the income statement is as follows:

	Notes	Consolidated 31 December 2006 $	Consolidated 31 December 2005 $
Revenue from ordinary activities		-	11,589
Expenses from ordinary activities		3,311	25,809
Profit(Loss) before income tax		(3,311)	(14,220)
Income tax expense		-	
Profit(Loss) attributable to members of the parent entity		(3,311)	(14,220)
Profit(Loss) on sale before income tax		(17,352)	
Income tax expense		-	
Profit(Loss) on sale after income tax		(17,352)	
Profit(Loss) from discontinued operations		(20,663)	(14,220)
Assets and liabilities held at disposal date:			
- Investment in controlled entity		1,445,474	
- Trade and other receivables		17,740	
- Outside equity interests		554,138	
- Net assets attributable to discontinued operations		2,017,352	
Consideration received or receivable:			
Cash and cash equivalents		-	
Amount due - Trailing royalty		2,000,000	
Total disposal consideration		2,000,000	
Net assets disposed of		(2,017,352)	
Profit(Loss) on sale before income tax		(17,352)	
The net cash flows form the discontinuing operation which have been incorporated into the statement of cash flows are as follows:			
Net cash inflow (outflow) from ordinary activities		(19,352)	(31,427)
Net cash inflow (outflow) from investing activities		-	-
Net cash inflow (outflow) from financing activities		-	-
Net cash increase in cash generated by the discontinuing operation		(19,352)	(31,427)

13 ADDITIONAL INFORMATION

Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	Notes	Consolidated 2006 $	Consolidated 2005 $
Cash balance comprises:			
- cash on hand and at bank		369,588	170,723
- short term deposits		-	-
		369,588	170,723
- bank overdraft		-	-
Closing cash balance		369,588	170,723

14 CONTINGENT ASSETS AND LIABILITES

On 31st October 2006 TechStar Limited completed the sale of two of its research and development projects, SportzWhistle and the Emergency Response Vest. The $2,000,000 purchase consideration for both projects will be paid over 5 years through a revenue-sharing royalty. The company will also receive a perpetual trailing royalty. TechStar Limited has not recognised the purchase consideration as a receivable as the amount of the royalty is conditional upon the purchaser receiving sufficient revenue and the amount of that revenue cannot be reliably measured at this stage.

15 EVENTS AFTER THE BALANCE SHEET DATE

On 22nd January 2007 TechStar Limited issued 4,472,600 ordinary shares for the consideration of $204,800 through a private placement to a number of sophisticated investors.

16 SEGMENT INFORMATION

The consolidated entity comprises of the following business segments:

- Environmental remediation projects - research and development, commercialisation and intellectual property ownership.
- Mantuan Downs bentonite resource

Business Segments
The following table represents revenue and profit information regarding the business segments for the half-year periods ended 31 December 2006 and 31 December 2005.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

SEGMENT INFORMATION (Continued)	Technology Development	Resource Development	Corporate	Eliminations	Consolidated Entity (Continuing Operations)	Discontinuing Operation (SportzWhistle Technologies)
31 December 2006						
REVENUE						
Sales to external customers	-	-		-	-	-
Total Sales Revenue	-	-	-	-	-	-
RESULTS						
Continuing operations						
Segment result	518,267	(4,320)	928,249	-	1,462,858	(20,662)
Unallocated expenses					-	-
Profit/(loss)					1,462,858	(20,662)
Interest Expense	(4,542)	-	(54,141)	-	(58,683)	-
Interest Income	308	-	3,817	-	4,125	-
Income tax expense					-	-
Profit/(loss) from continuing operations					1,408,300	(20,662)
ASSETS						
Segment Assets	860,612	3,103,228	10,013,206	(1,510,294)	12,466,752	-
Consolidated total assets					12,466,752	
LIABILITIES						
Segment liabilities	11,372,408	181,102	1,655,162	(9,945,007)	3,263,665	-
Consolidated total liabilities		2,922,126			3,263,665	
OTHER INFORMATION						
Capital expenditure (property, plant, equipment and intangibles)	-	3,100,000	-			
Depreciation and amortisation	285	-	1,699			
Non-cash expenses other than depreciation and amortisation	-	-	-			
Impairment losses recognised in profit and loss and directly in equity	2,163	-	-			

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

SEGMENT INFORMATION (Continued)

	Technology Development	Resource Development	Corporate	Eliminations	Consolidated Entity (Continuing Operations)	Discontinuing Operation
31 December 2005						
REVENUE						
Sales to external customers	-	-	`	-	-	-
Total Sales Revenue	-	-	-	-	-	-
RESULTS						
Continuing operations						
Segment result	(11,272)	-	(427,206)	-	(424,258)	(14,220)
Unallocated expenses					-	-
Profit/(loss)					(424,258)	(14,220)
Interest Expense	(1,349)	-	(31,116)	-	(32,465)	-
Interest Income	433	-	5,119	-	5,552	-
Income tax expense					-	-
Profit/(loss) from continuing operations					(451,171)	(14,220)
ASSETS						
Segment Assets	284,535	-	7,559,871	532,714	8,377,120	-
Consolidated total assets					8,377,120	
LIABILITIES						
Segment liabilities	10,785,396	-	887,025	(8,265,639)	3,406,782	-
Consolidated total liabilities					3,406,782	
OTHER INFORMATION						
Capital expenditure (property, plant, equipment and intangibles)	7,485,395	-	-			
Depreciation and amortisation	-	-	5,365			
Non-cash expenses other than depreciation and amortisation	-	-	-			
Impairment losses recognised in profit and loss and directly in equity	-	-	-			

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of TechStar Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

- (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Brian Jones
Chairman

Brisbane, 27th February 2007

SOTHERTONS
CHARTERED ACCOUNTANTS

PARTNERS
Geoffrey J. Read
Linda E. Timms
Karen E. Keating
Anthony C. Bryen

CONSULTANT
Kenneth E. Scells

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TECHSTAR LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of TechStar Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a summary of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of TechStar Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

IGAF WORLDWIDE

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Conclusion

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 31 December 2006 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

Without qualification to the conclusion above, attention is drawn to the following matters:

Continuation as a going Concern

As described in Note 1(d) "Going Concern" there is significant uncertainty whether the company and the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of the company and the consolidated entity does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as a going concern.

Value of Intangible Assets

As a result of the matters described in Note 1(e) "Intangible Assets", there is significant uncertainty regarding the value of intellectual property as recorded in the financial report. The financial report of the company and the consolidated entity does not include any adjustments to the value of the intellectual property that might be necessary should the company and the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.

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Sothertons - Brisbane Partnership

A C Bryen

A C Bryen
Lead Audit Partner

Dated at Brisbane this twenty-seventh day of February 2007