

MALACHITE RESOURCES LIMITED

A.B.N. 86 075 613 268



INTERIM REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Directors' report	2
Interim financial report	
Auditor's independence declaration	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9
Directors' declaration	12
Independent auditor's review report to the members	13

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MALACHITE RESOURCES LIMITED

Interim Consolidated Financial Report For The Half Year Ended 31 December 2010

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Malachite Resources Limited and the entities it controlled (together, the 'Group') at the end of, or during, the half-year ended 31 December 2010.

DIRECTORS

The names of the Malachite Resources Limited'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.

Dr GG Lowder (Executive Chairman)	
Mr RM Meares (Executive Director)	(Non-Executive Director as of January 2011)
Mr WJ Staude (Non-Executive Director)	(Resigned on 28 February 2011)
Mr DM O'Neill (Non-Executive Director)	(Resigned on 28 February 2011)
Mr Roy M. Randall (Non-Executive Director)	
Mr. Joel Bidois (Non-Executive Director)	(Appointed on 10 February 2011)
Mr. James Dean (Non-Executive Director)	(Appointed on 10 February 2011)

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$770,985 (2009 - \$670,651).

The principal continuing activity of the Group is the acquisition of mineral tenements, mineral exploration and investment principally in eastern Australia. During the half-year the Group continued to explore its tenements which are located in New South Wales and Queensland.

FINANCIAL

The Group made the following share issues during the half year:

Issue of 4,575,000 Ordinary Shares at 7.5 cents per the share purchase plan raising \$343,125.

Issue of 666,667 Ordinary Shares at 7.5 cents per Convertible Note interest payable in shares to Nanyang Mining Pty Ltd.

The funds raised are being used to provide working capital to continue project generation and project enhancement.

SUBSEQUENT EVENTS

On 10 February 2011 the Group completed the acquisition of the Lorena Gold Project located approximately 15km east of Cloncurry in northwest Queensland. The purchase of Lorena was completed by acquiring all of the shares of Volga Elderberry Pty Limited ("VEPL"), pursuant to a Share Sale Agreement signed on 29 September 2010. VEPL owns all of the Lorena assets, including tenements and plant and equipment on site. The Group issued 350,000,000 Malachite Resources Limited shares at a deemed issue price of 6.0 cents per share representing a total consideration of \$21,000,000 to the former shareholders of VEPL, which now becomes a wholly owned subsidiary of Malachite Resources Limited. This acquisition is expected to greatly enhance the Group's transition from junior explorer to emerging miner.

The financial effects of the above transaction have not been brought to account at 31 December 2010. The operating results and assets and liabilities of the company will be brought to account from 10 February 2011.

Following the completion of the acquisition and the appointment of Mr. Joel Bidois and Mr. James Dean to the Board, Mr. Warren Staude and Mr. Denis O'Neill resigned from the Board effective 28 February 2011.

On 4 March 2011 the Group completed the first stage of a series of capital raisings which will enable the Group to commence a comprehensive drilling program at the Lorena Gold Project aimed at upgrading the mineral resource. Drilling is scheduled to commence at the end of March 2011. The Group allotted 6,900,000 shares at 7.5 cents raising \$517,500. Each participant in the Placement will also receive an unlisted option on a 1 for 1 basis, such option having an exercise price of 10 cents and an expiry date of 28 February 2013.

With the exception of the matters referred to above, no other event has occurred subsequent to 31 December 2010 requiring disclosure in, or amendment to, these financial statements.

MALACHITE RESOURCES LIMITED

**Interim Consolidated Financial Report
For The Half Year Ended 31 December 2010**

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached at page 4.

Signed at Sydney this 11 March 2011 in accordance with a resolution of the directors.



GG Lowder
Managing Director



Auditor's Independence Declaration

As lead auditor for the review of Malachite Resources Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Malachite Resources Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'B Entwistle', is written over a light blue horizontal line.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
11 March 2011

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 \$	Half-year 2009 \$
Other revenue	2	21,710	27,229
Accounting and audit expense		(21,037)	(18,031)
Corporate expenses		(343,071)	(156,909)
Depreciation and amortisation expense		(17,865)	(18,639)
Employee benefits expense		(282,218)	(439,202)
Exploration expenditure expensed	3	(67,334)	(5,958)
Occupancy expenses		(61,170)	(59,141)
Loss before Income Tax Expense		(770,985)	(670,651)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the half year		<u>(770,985)</u>	<u>(670,651)</u>
Other comprehensive income		-	-
Total comprehensive income for half year		(770,985)	(670,651)
Profit is attributable to:			
Owners of Malachite Resources Limited		(770,985)	(670,651)
Non-controlling interest		<u>-</u>	<u>-</u>
		<u>(770,985)</u>	<u>(670,651)</u>
Basic and diluted (loss) per share (cents per share)		<u>(0.44)</u>	<u>(0.43)</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Notes	31 December 2010 \$	30 June 2010 \$
CURRENT ASSETS			
Cash and cash equivalents		371,226	1,804,418
Receivables		66,129	64,160
TOTAL CURRENT ASSETS		<u>437,355</u>	<u>1,868,578</u>
NON-CURRENT ASSETS			
Receivables		222,173	199,673
Plant and equipment		575,648	591,952
Exploration and evaluation expenditure	3	<u>14,086,168</u>	<u>13,201,814</u>
TOTAL NON-CURRENT ASSETS		<u>14,883,989</u>	<u>13,993,439</u>
TOTAL ASSETS		<u>15,321,344</u>	<u>15,862,017</u>
CURRENT LIABILITIES			
Payables	4	<u>1,406,193</u>	<u>1,604,122</u>
TOTAL CURRENT LIABILITIES		<u>1,406,193</u>	<u>1,604,122</u>
TOTAL LIABILITIES		<u>1,406,193</u>	<u>1,604,122</u>
NET ASSETS		<u>13,915,151</u>	<u>14,257,895</u>
EQUITY			
Contributed equity	5	27,856,273	27,474,702
Option Expense Reserve		1,270,983	1,224,313
Accumulated Losses		<u>(15,212,105)</u>	<u>(14,441,120)</u>
TOTAL EQUITY		<u>13,915,151</u>	<u>14,257,895</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**Attributable to owners of
Malachite Resources Limited**

Notes	Contributed Equity	Reserves	Retained Earnings	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance as 1 July 2009	25,099,153	1,039,955	(10,323,007)	15,816,101	-	15,816,101
Loss for the half-year	-	-	(670,651)	(670,651)	-	(670,651)
Total comprehensive income for the half- year	25,099,153	1,039,955	(10,993,658)	15,145,450	-	15,145,450
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	2,431,670	-	-	2,431,670	-	2,431,670
Employee share options	-	92,179	-	92,179	-	92,179
Balance as 31 December 2009	27,530,823	1,132,134	(10,993,658)	17,669,299	-	17,669,299
Balance as 1 July 2010	27,474,702	1,224,313	(14,441,120)	14,257,895	-	14,257,895
Loss for the half-year	-	-	(770,985)	(770,985)	-	(770,985)
Total comprehensive income for the half- year	27,474,702	1,224,313	(15,212,105)	13,486,910	-	13,486,910
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	381,571	-	-	381,571	-	381,571
Employee share options	-	46,670	-	46,670	-	46,670
Balance as 31 December 2010	27,856,273	1,270,983	(15,212,105)	13,915,151	-	13,915,151

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOW S
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	2010	Half-year
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(662,641)	(392,229)
Exploration and evaluation expenditure (inclusive of GST)	(1,136,247)	(884,023)
Interest received	21,346	26,865
Sundry receipts (inclusive of GST)	<u>364</u>	<u>364</u>
Net cash outflow from operating activities	<u>(1,777,178)</u>	<u>(1,249,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(1,561)	(5,000)
Tenement security deposits	<u>(22,500)</u>	<u>-</u>
Net cash used in investing activities	<u>(24,061)</u>	<u>(5,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Subscriptions in advance	36,476	-
Proceeds from share issues	343,125	2,515,795
Equity raising expenses	<u>(11,554)</u>	<u>(84,125)</u>
Net cash provided by financing activities	<u>368,047</u>	<u>2,431,670</u>
NET INCREASE/(DECREASE) IN CASH HELD	(1,433,192)	1,177,647
CASH AT THE BEGINNING OF THE HALF YEAR	<u>1,804,418</u>	<u>952,978</u>
CASH AT THE END OF THE HALF YEAR	<u><u>371,226</u></u>	<u><u>2,130,625</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report is for Malachite Resources Limited and its controlled entities (together, the 'Group') in respect of the interim half year reporting period ended 31 December 2010 and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Malachite Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Impact of standards issued but not yet applied by the entity

In December 2009, the AASB issued AASB 9 Financial Instruments which addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Group has not yet decided when to adopt AASB 9.

(b) Going concern

Consistent with the nature of the Group's activities and its ongoing investment of funds into exploration projects which are not generating any cash inflows, the Group has experienced operating losses and negative cash flows during the period ended 31 December 2010. As at 31 December 2010, the Group has a working capital deficiency of \$968,838 which includes a convertible note amounting to \$1,000,000 which is redeemable at the option of the Group either wholly through the issue of new shares or up to 50% in cash and the balance as new shares, (Refer to Note 4(a) for further details).

On 10 February 2011 the Group completed the acquisition of the Lorena Gold Project located approximately 15km east of Cloncurry in northwest Queensland. The purchase of Lorena was completed by acquiring all of the shares of Volga Elderberry Pty Limited ("VEPL"), pursuant to a Share Sale Agreement dated on 29 September 2010. VEPL owns all of the Lorena assets, including tenements and plant and equipment on site. The consideration for the transaction was the issue of 350,000,000 Malachite Resources Limited shares to the former shareholders of VEPL, which now becomes a wholly owned subsidiary of Malachite Resources Limited. This acquisition is expected to greatly enhance the Group's transition from junior explorer to emerging miner.

Following the acquisition of Lorena, the Group now plans to perform a series of capital raisings to commence a comprehensive drilling program at Lorena aimed at upgrading the mineral resources and to continue exploration of other projects including the Conrad Silver Project. Based on the current 12 month expenditure forecast, the Group has determined that it will need to raise capital of approximately \$7,000,000 over that period.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in:

- raising additional funding through various means which includes:
 - o the completion of the current round of capital raisings within the Group's existing 15% capacity (as at the date of this report an amount of \$517,500 has been raised through that process),
 - o the undertaking of further capital raising such as a Rights Issue,
 - o additional placement once the Group has refreshed its 15% capacity which is expected to occur at the next Annual General Meeting in November 2011, or at an earlier general meeting should one take place,
 - o the undertaking of further capital raising such as a shareholder approved placement,
 - o further Share Purchase Plan.
- reducing materially if required the Group's ongoing operating costs, as it has done from time to time in the past, to suit available financial resources and the timing of anticipated new capital raisings. All of the Group's exploration and drilling programs are capable of being scaled back at any point in time to ensure that expenditure matches currently available funding. In particular the work program for Conrad could be deferred until later this year.

As a result of these matters, there is a material uncertainty whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

(b) Going concern (continued)

The Group has a successful track record over many years of raising new capital from both existing shareholders and strategic investors. The Group successfully raised \$343,125 from a Share Purchase Plan undertaken in December 2010 and \$517,500 by way of a placement in March 2011. Furthermore the directors believe that the new Lorena Gold project enhances the ability of the Group to raise new capital. On that basis the directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2010. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

	31 December 2010	31 December 2009
	\$	\$
2 REVENUE		
From continuing Operations		
Other Revenue		
Interest	21,346	26,865
Other income	364	364
	<u>21,710</u>	<u>27,229</u>
	31 December 2010	30 June 2010
	\$	\$
3 EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest in exploration and evaluation phases	<u>14,086,168</u>	<u>13,201,814</u>
Movement for period		
Balance brought forward at beginning of period	13,201,814	14,212,610
Expenditure during period	951,688	1,941,145
Amounts written off	<u>(67,334)</u>	<u>(2,951,941)</u>
Balance at end of period	14,086,168	13,201,814
4 CURRENT LIABILITIES	31 December 2010	30 June 2010
	\$	\$
Trade creditors	157,683	241,326
Other creditors	83,316	152,984
Employee entitlements	128,718	209,812
Share application monies received in advance	36,476	-
Unsecured Convertible Note (a)	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,406,193</u>	<u>1,604,122</u>

(a) Unsecured Convertible Note

1 Convertible Note with a face value of \$1,000,000 repayable, at the Group's election, either wholly by the issue of new shares, or up to 50% in cash and the balance as new shares.

The Conversion price is the lower of 18 cents or 90% of the 30-day VWAP at maturity.

The Coupon is 10% payable six-monthly in arrears and paid entirely in shares, priced at 90% of the 30-day VWAP when each interest payment is due.

Term is 12 months from date of issue, 17 May 2010.

MALACHITE RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

5 ISSUED CAPITAL	31 December 2010	30 June 2010
	\$	\$
CONTRIBUTED EQUITY		
181,438,106 fully paid ordinary shares	27,856,273	27,474,702
(June 2010: 176,196,439)		
	<u>27,856,273</u>	<u>27,474,702</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends and have no par value.

Movement in ordinary share capital

Balance at beginning of period	27,474,702
Shares issued during period	
666,667 Ordinary Shares at 5.5 cents per interest payment on convertible note	50,000
4,575,000 Ordinary Shares at 7.5 cents per share pursuant to placement	343,125
Transaction costs relating to share issues	(11,554)
Balance at end of period	<u>27,856,273</u>

The funds raised are being used to provide working capital to continue project generation and project enhancement.

6 CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets.

7 SEGMENT INFORMATION

The Group operates predominantly in one business segment and in one geographical area, namely Australian mineral exploration and evaluation.

8 SUBSEQUENT EVENTS

On 10 February 2011 the Group completed the acquisition of the Lorena Gold Project located approximately 15km east of Cloncurry in northwest Queensland. The purchase of Lorena was completed by acquiring all of the shares of Volga Elderberry Pty Limited ("VEPL"), pursuant to a Share Sale Agreement signed on 29 September 2010. VEPL owns all of the Lorena assets, including tenements and plant and equipment on site. The Group issued 350,000,000 Malachite Resources Limited shares at a deemed issue price of 6.0 cents per share representing a total consideration of \$21,000,000 to the former shareholders of VEPL, which now becomes a wholly owned subsidiary of Malachite Resources Limited. This acquisition is expected greatly enhance the Group's transition from junior explorer to emerging miner.

The financial effects of the above transaction have not been brought to account at 31 December 2010. The operating results and assets and liabilities of the company will be brought to account from 10 February 2011.

Following the completion of the acquisition and the appointment of Mr. Joel Bidois and Mr. James Dean to the Board, Mr. Warren Staude and Mr. Denis O'Neill resigned from the Board effective 28 February 2011.

On 4 March 2011 the Group completed the first stage of a series of capital raisings which will enable the Group to commence a comprehensive drilling program at the Lorena Gold Project aimed at upgrading the mineral resource. Drilling is scheduled to commence at the end of March 2011. The Group allotted 6,900,000 shares at 7.5 cents raising \$517,500. Each participant in the Placement will also receive an unlisted option on a 1 for 1 basis, such option having an exercise price of 10 cents and an expiry date of 28 February 2013.

With the exception of the matters referred to above, no other event has occurred subsequent to 31 December 2010 requiring disclosure in, or amendment to, these financial statements.

MALACHITE RESOURCES LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes, set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting standards; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Malachite Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors .



GG Lowder
Managing Director

Sydney,
11 March 2011



Independent auditor's review report to the members of Malachite Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Malachite Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Malachite Resources Limited Group (the Group). The Group comprises both Malachite Resources Limited (the Company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 Group's financial position as at 31 December 2010 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 Malachite Resources 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Malachite Resources Limited for the half-year ended 31 December 2010 included on Malachite Resources Limited's web site. The Company's directors are responsible for the integrity of the Malachite Resources Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Malachite Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1(b) in the financial report which indicates that the Group has experienced operating losses and negative cash flows during the period ended on 31 December 2010 and, as of that date, the Group's current liabilities exceeded its total assets by \$968,838. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'B Entwistle', is written over the printed name.

Brett Entwistle
Partner

Sydney
11 March 2011