



DRAKE RESOURCES LIMITED
ABN 12 108 560 069

Interim Financial Report
for the half year ended 31 December 2012

Note:

The information contained herein should be read in conjunction with the most recent annual report.

Drake Resources Limited
ABN 12 108 560 069
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West Perth WA 6005
Telephone 08 6141 3585
Fax 08 6141 3599

**DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES**
ABN 12 108 560 069
INTERIM FINANCIAL REPORT DECEMBER 2011

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2012.

Directors

The names of directors who held office during or since the end of the half-year:

Brett Fraser

Robert Beeson

Jay Stephenson

John Hoon

James Merrillees

The above named directors held office during and since the end of the half-year ended 31 December 2012.

REVIEW OF OPERATIONS

Drake Resources had an exceptionally busy and positive six months, with significant progress made on both its Scandinavian nickel assets and West African gold projects.

In Scandinavia, Drake laid strong foundations for a potential future nickel business. During the half year under review, Drake made the outstanding greenfields nickel-copper Granmuren discovery in the Bergslagen district of Sweden, where widespread mineralisation was confirmed following the identification of a large geophysical target and an initial 556 metre drilling programme.

Drake acquired 12 nickel-copper exploration claims covering 119 square kilometres and containing two nickel deposits (both TSX compliant resources), forming the Espedalen Project in central Norway. The licences cover the Dalen and Stormya deposits and the Megrund Prospect and are shallow drilling with the potential for open-pit mining. The company completed a comprehensive review and drafted a substantial work programme, along with drill ready targets.

Also in Norway the Joma Project was secured including the rights over two significant non-operating copper-zinc mines. At the Løkken and Nordgruva joint ventures five excellent copper-zinc drill targets were identified.

In West Africa, Drake confirmed the presence of broad zones of gold mineralisation at both its Tasiast South and Hendrix Shear projects in northern Mauritania. At Tasiast South, a key target of the reverse circulation drilling programme was the newly-defined Ghassariat Prospect, a 10 square kilometre zone where the mineralisation and alteration is analogous to Tasiast ore zones.

At the Seimana gold project in Guinea, Drake completed a surface sampling programme involving over 11,200 soil, termite mound and rock samples covering 86 per cent of the area with many strong anomalies reported and multiple drill targets identified.

Drake successfully raised \$742,500 before costs through a placement during the half year. The funds will be used for working capital purposes and to further develop its projects.

**DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
ABN 12 108 560 069
INTERIM FINANCIAL REPORT DECEMBER 2012**

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2012.

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

A handwritten signature in black ink, appearing to read 'B Fraser'.

**Brett Fraser
Director**

Dated this 5th Day of March 2013

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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Australia

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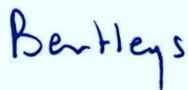
bentleys.com.au

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Drake Resources Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.



BENTLEYS
Chartered Accountants



CHRIS WATTS CA
Director

DATED at PERTH this 5th day of March 2013

DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
ABN 12 108 560 069
INTERIM FINANCIAL REPORT DECEMBER 2012

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

| | Note | 31/12/2012 \$ | 31/12/2011 \$ |
|---|------|------------------|------------------|
| Revenue | | 46,917 | 191,296 |
| Other revenue | | 22,606 | - |
| | | <hr/> | |
| Audit and accounting | | (26,114) | (29,524) |
| Computers and software | | (9,881) | (10,049) |
| Contractors and consultants | | (52,633) | (49,998) |
| Directors fees | | (112,500) | (85,364) |
| Employee benefits | | (229,334) | (206,337) |
| Share-based payments | | - | (689,875) |
| Depreciation | | (36,394) | (29,343) |
| Insurance | | (15,539) | (19,492) |
| Legal fees | | (5,768) | (4,487) |
| Public relations and advertising | | (40,516) | (21,329) |
| Registry and ASX fees | | (30,353) | (68,581) |
| Rental expense | | (63,896) | (48,711) |
| Travel and accommodation | | (23,504) | (111,616) |
| Unrealised Gain/(Loss) on listed shares | | (186,833) | (192,171) |
| Exploration and evaluation | 2 | (560,065) | (337,421) |
| Other expenses | | (68,013) | (48,454) |
| | | <hr/> | |
| Profit/(Loss) before income tax | | (1,391,820) | (1,761,456) |
| Income tax expense | | - | - |
| | | <hr/> | |
| Profit/(Loss) from continuing operations | | (1,391,820) | (1,761,456) |
| Other Comprehensive Income net of income tax | | | |
| Items that will not be reclassified subsequently to profit or loss: | | - | - |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign exchange movement | | 25,256 | (11,310) |
| | | <hr/> | |
| Other Comprehensive Income for the period net of income tax | | 25,256 | (11,310) |
| <hr/> | | | |
| Total comprehensive income for the period attributable to members of the parent entity | | (1,366,564) | (1,772,766) |
| <hr/> | | | |
| Earnings per share: | | | |
| Basic and diluted (loss) per share (cents per share) | | (1.62) | (2.33) |

The accompanying notes form part of these financial statements.

DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
ABN 12 108 560 069
INTERIM FINANCIAL REPORT DECEMBER 2012
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

| | Note | 31/12/2012 \$ | 30/6/2012 \$ |
|-----------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 1,432,745 | 2,607,863 |
| Financial assets | | 959,430 | 1,046,263 |
| Trade and other receivables | | 166,236 | 1,256,459 |
| TOTAL CURRENT ASSETS | | 2,558,411 | 4,910,585 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 142,160 | 160,496 |
| Exploration and evaluation assets | 6 | 11,687,372 | 11,211,279 |
| TOTAL NON-CURRENT ASSETS | | 11,829,532 | 11,371,775 |
| TOTAL ASSETS | | 14,387,943 | 16,282,360 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 337,443 | 1,591,295 |
| Short-term provisions | | 86,632 | 78,221 |
| TOTAL CURRENT LIABILITIES | | 424,074 | 1,669,516 |
| TOTAL LIABILITIES | | 424,074 | 1,669,516 |
| NET ASSETS | | 13,963,869 | 14,612,844 |
| EQUITY | | | |
| Issued capital | 7 | 19,580,892 | 18,863,303 |
| Reserves | | 1,603,727 | 1,578,471 |
| Accumulated losses | | (7,220,750) | (5,828,930) |
| TOTAL EQUITY | | 13,963,869 | 14,612,844 |

The accompanying notes form part of these financial statements.

DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
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INTERIM FINANCIAL REPORT DECEMBER 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

| | Issued Capital | Accumulated Losses | Options Reserve | Foreign Exchange Reserve | Total |
|--|---------------------------|-------------------------------|----------------------------|---|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2011 | 10,569,823 | (2,754,384) | 762,712 | (5,437) | 8,572,714 |
| Loss for the period | - | (1,761,456) | - | - | (1,761,456) |
| Other comprehensive income | - | - | - | (11,310) | (11,310) |
| Total Comprehensive Income for the period | - | (1,761,456) | - | (11,310) | (1,772,766) |
| Transaction with owners, directly in equity | | | | | |
| Shares issued during the period | 7,004,700 | - | - | - | 7,004,700 |
| Transaction costs | (348,170) | - | - | - | (348,170) |
| Options exercised during the period | 1,636,950 | - | (446,950) | - | 1,190,000 |
| Options issued during the period | - | - | 689,875 | - | 689,875 |
| Balance at 31 December 2011 | 18,863,303 | (4,515,840) | 1,005,637 | (16,747) | 15,336,353 |
| | Issued Capital | Accumulated Losses | Options Reserve | Foreign Exchange Reserve | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2012 | 18,863,303 | (5,828,930) | 1,622,710 | (44,239) | 14,612,844 |
| Loss for the period | - | (1,391,820) | - | - | (1,391,820) |
| Other comprehensive income | - | - | - | 25,256 | 25,256 |
| Total Comprehensive Income for the period | - | (1,391,820) | - | 25,256 | (1,366,564) |
| Transaction with owners, directly in equity | | | | | |
| Shares issued during the period | 742,500 | - | - | - | 742,500 |
| Transaction costs | (24,911) | - | - | - | (24,911) |
| Balance at 31 December 2012 | 19,580,892 | (7,220,750) | 1,622,710 | (18,983) | 13,963,869 |

The accompanying notes form part of these financial statements.

**DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
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INTERIM FINANCIAL REPORT DECEMBER 2012**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

| | 31/12/2012 | 31/12/2011 |
|--|-------------|-------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 12,344 | 121,101 |
| Interest received | 35,696 | 81,204 |
| Payments to suppliers and employees | (285,120) | (1,114,995) |
| Payments for exploration expenditure | (2,141,121) | (2,304,766) |
| Net cash used in operating activities | (2,378,201) | (3,217,456) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (18,058) | (144,714) |
| Payments for joint venture exploration, net of funding | 603,552 | 140,925 |
| Purchase of investments | (100,000) | - |
| Net cash used in investing activities | 485,494 | (3,789) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 742,500 | 8,194,699 |
| Cost of share issues | (24,911) | (348,170) |
| Net cash provided by financing activities | 717,589 | 7,846,529 |
| Net increase / (decrease) in cash held | (1,175,118) | 4,625,284 |
| Cash at the beginning of the period | 2,607,863 | 4,350,274 |
| Cash at the end of the period | 1,432,745 | 8,975,558 |

The accompanying notes form part of these financial statements.

**DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
ABN 12 108 560 069
INTERIM FINANCIAL REPORT DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

NOTE 1: BASIS OF PREPARATION FOR INTERIM

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year. New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.
- Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments also require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively and the application of the amendments to AASB 101 do not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Going Concern

The half year financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity incurred a loss for the half year of \$1,391,820 (2011: \$1,761,456) and net cash outflows from operating activities of \$2,378,201 (2011: \$3,217,456). During the period the Company successfully raised \$717,589 from the issue of shares net of capital raising costs.

**DRAKE RESOURCES LIMITED
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INTERIM FINANCIAL REPORT DECEMBER 2012**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

NOTE 1: BASIS OF PREPARATION FOR INTERIM (Continued)

Going Concern (Continued)

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

NOTE 2: LOSS FOR PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

| | 31/12/2012 | 31/12/2011 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Exploration costs written off | (33,968) | (136,246) |
| Impairment of exploration and evaluation assets | (526,097) | (201,175) |
| Exploration and evaluation expense | <u>(560,065)</u> | <u>(337,421)</u> |

DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
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INTERIM FINANCIAL REPORT DECEMBER 2012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 3: OPERATING SEGMENTS

| | Australian Exploration \$ | Scandinavian Exploration \$ | African Exploration \$ | Treasury \$ | Total \$ |
|--|---------------------------------|-----------------------------------|------------------------------|----------------|-------------|
| (i) Segment performance | | | | | |
| For the Half Year to 31 December 2012 | | | | | |
| Segment Revenue | - | 11,222 | - | 58,301 | 69,523 |
| Segment Results | - | (551,171) | 2,870 | (128,531) | (676,832) |
| Corporate expenses | | | | | (678,594) |
| Depreciation | | | | | (36,394) |
| Share-based payments expense | | | | | - |
| Loss before Income Tax | | | | | (1,391,820) |
| For the Half Year to 31 December 2011 | | | | | |
| Segment Revenue | - | 110,092 | - | (110,967) | (875) |
| Segment Results | (1,941) | 48,514 | (273,902) | (110,967) | (338,296) |
| Corporate expenses | | | | | (703,942) |
| Depreciation | | | | | (29,343) |
| Share-based payments expense | | | | | (689,875) |
| Loss before Income Tax | | | | | (1,761,456) |
| (ii) Segment assets | | | | | |
| Opening balance 30 June 2012 | 373,451 | 2,903,394 | 8,606,157 | 3,654,126 | 15,537,128 |
| Additions | 22,401 | 434,614 | 546,374 | - | 1,003,389 |
| Other movements in segment assets | - | (1,199,019) | - | (1,261,951) | (2,460,970) |
| Closing balance 31 December 2012 | 395,852 | 2,138,989 | 9,152,531 | 2,392,175 | 14,079,547 |
| Unallocated Assets: | | | | | |
| Trade and other receivables | | | | | 166,236 |
| Property, plant and equipment | | | | | 142,160 |
| Total Assets | | | | | 14,387,943 |

DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
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INTERIM FINANCIAL REPORT DECEMBER 2012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4: CONTINGENT LIABILITIES

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

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

Since 31 December 2012, the value of the financial assets held by the Company have increased by \$149,466 as a result of the increase in the share price of Aura Energy Limited from 11.5 cents to 13.5 cents (Closing share price as at 1 March 2013).

There are no other subsequent events at reporting date.

NOTE 6: EXPLORATION AND EVALUATION ASSETS

| | 31/12/2012 | 30/06/2012 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Opening balance of exploration and evaluation assets | 11,211,279 | 2,881,257 |
| Exploration expenditure capitalised during the period | 997,138 | 8,531,197 |
| Impairment of exploration and evaluation assets | (526,097) | (201,175) |
| Effect of exchange rate changes on exploration and evaluation assets | 5,052 | - |
| Carrying value of exploration and evaluation assets | <u>11,687,372</u> | <u>11,211,279</u> |

NOTE 7: ISSUED CAPITAL

| | 31/12/2012 | 31/12/2011 |
|---|-------------------|-------------------|
| | \$ | \$ |
| 94,875,000 Fully paid ordinary shares at no par value (2011: 82,500,000) | <u>19,580,892</u> | <u>18,863,303</u> |

(a) Ordinary shares

| | | |
|---|-------------------|-------------------|
| At the beginning of the reporting period | 18,863,303 | 10,569,823 |
| Shares issued during the period: | | |
| 9,155,000 shares issued on 10 August 2011 at 39 cents | - | 3,570,450 |
| 3,500,000 options exercised on 1 September 2011 at 34 cents | - | 1,190,000 |
| 8,805,769 shares issued on 14 September 2011 at 39 cents | - | 3,434,250 |
| 12,375,000 shares issued on 10 December 2012 at 6 cents | 742,500 | - |
| Exercised options transferred from options reserve | - | 446,950 |
| Transaction costs relating to share issues | (24,911) | (348,170) |
| At reporting date | <u>19,580,892</u> | <u>18,863,303</u> |

**DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
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NOTE 7: ISSUED CAPITAL (CONTINUED)

| | No. | No. |
|---|-------------------|-------------------|
| At the beginning of the reporting period | 82,500,000 | 61,039,231 |
| Shares issued during the period: | | |
| 9,155,000 shares issued on 10 August 2011 at 39 cents | - | 9,155,000 |
| 3,500,000 options exercised on 1 September 2011 at 34 cents | - | 3,500,000 |
| 8,805,769 shares issued on 14 September 2011 at 39 cents | - | 8,805,769 |
| 12,375,000 shares issued on 10 December 2012 at 6 cents | 12,375,000 | |
| At reporting date | <u>94,875,000</u> | <u>82,500,000</u> |

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

**DRAKE RESOURCES LIMITED
AND CONTROLLED ENTITIES
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INTERIM FINANCIAL REPORT DECEMBER 2012**

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4-10:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001; and
 - b. give a true and fair view of the consolidated group's financial position as at 31 December 2012 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'B Fraser'.

Brett Fraser
Director

Dated this 5th Day of March 2013

Independent Auditor's Review Report

To the Members of Drake Resources Limited

We have reviewed the accompanying half-year financial report of Drake Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 a 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 Consolidated Entity's financial position as at 31 December 2012 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 Drake 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. 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.

Independent Auditor's Review Report

To the Members of Drake Resources Limited (Continued)



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 Drake Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2012 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.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the financial report which indicates that the Consolidated Entity incurred a net loss of \$1,391,820 during the half-year ended 31 December 2012. This condition, along with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and 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.

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 5th day of March 2013