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SULTAN CORPORATION LIMITED
ABN 84 061 219 985

INTERIM FINANCIAL REPORT
31 DECEMBER 2010

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SULTAN CORPORATION LIMITED

CORPORATE DIRECTORY

Directors

Derek Lenartowicz
Milos Bosnjakovic
Mike Ralston

Company Secretary

Jerry Monzu (*appointed 14 October 2010*)

Auditors

MGI Perth Audit Services Pty Ltd
7/1 William Street
Perth WA 6000

Bankers

Bendigo Bank
225 St Georges Terrace
Perth WA 6000

Registered Office

Level 1, 350 Hay Street
Subiaco WA 6008
Telephone: +61 8 6365 4519
Facsimile: +61 3 9388 6040

Share Registry

Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Securities of Sultan Corporation Limited are listed on the Australian Securities Exchange (ASX) and the Frankfurt Stock Exchange (FSX)

ASX Code: SSC

FSX Code: AOLFVE

Web site: www.sultan.net.au

DIRECTORS' REPORT

Your directors submit the financial report of Sultan Corporation Limited (the "Company") and its controlled entities (referred to hereafter as the "consolidated entity") for the half-year ended 31 December 2010.

Directors

The names of the directors of the Company in office at any time during the half-year or since the date of this report are noted below:

Derek Lenartowicz
(Jimmy) Kong Leng Lee (resigned 1 March 2011)
Milos Bosnjakovic
Mike Ralston (appointed 1 March 2011)

Results and Review of Operations

During the half-year ended 31 December 2010, the consolidated entity:

- Incurred a comprehensive loss for the half-year totaling \$731,177 (2009: \$831,964);
- Completed the laboratory component of the metallurgical studies on Peelwood North ore in late December, determining that saleable concentrates are achievable and metallurgical recoveries exceeding expected recoveries. This will result in higher metal production at no additional cost. The Bankable Feasibility Study is still in progress under the management of MSP Engineering Pty Ltd;
- Has engaged Golder Associates to convert historical data at its MB Zn-Pb project in Montenegro into digital format. This is the first step in advancing the project to JORC status;
- Listed on the Frankfurt Stock Exchange on 17 September 2010, with the aim of attracting European investors as one of the Group's major projects is located in Europe. The stock code is AOLFVE; and
- Successfully completed a placement of 55m shares at \$0.006 each to professional and sophisticated investors during the month of December. The total amount raised before costs was \$330,000.

Events Occurring Post Balance Date

On 9 February 2011, the Company had announced that it has successfully completed a placement to sophisticated investors, issuing approximately 156m shares at \$0.008 each to raise a total of \$1,248,500 (before costs).

With the exception of the above, there have been no other matters or circumstances that have arisen since 31 December 2010 that have significantly affected, or may significantly affect:

1. the Consolidated Entity's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Consolidated Entity's state of affairs in future financial years.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the consolidated entity's auditors, MGI Perth Audit Services Pty Ltd, to provide the directors with an independence declaration in relation to the review of the half-year financial report. This independence declaration forms part of the Directors' Report and is included on page 5.

Signed in accordance with a resolution of the directors made pursuant to Section 306(3) of the *Corporations Act 2001*, On behalf of the directors.

Derek Lenartowicz
Managing Director

Perth
Date: 15 March 2011



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Lead auditor's independent declaration under section 307C of the Corporations Act 2001

To the directors of Sultan Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2010 there have been:

- (i) no contraventions of the auditors independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

MG IPAS

MGI Perth Audit Services Pty Ltd

**TJ Spooner CA FCA(UK) ACIS
Director**

Perth

15 March 2011

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SULTAN CORPORATION LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
For the half-year ended 31 December 2010

	Note	31 December 2010 \$	31 December 2009 \$
Continuing operations			
Interest Revenue		9,749	9,533
Other Income	2	125,000	-
		<u>134,749</u>	<u>9,533</u>
Administrative expenses		(286,834)	(339,236)
Exploration costs expensed as incurred		(260,999)	(122,679)
Foreign exchange gain / (loss)		30,053	(67,795)
Director fees		(213,550)	(220,230)
Consultancy costs		(108,126)	(30,676)
Impairment of advances		-	(60,881)
		<u>(839,456)</u>	<u>(841,497)</u>
Loss before income tax expense		(704,707)	(831,964)
Income tax expense		-	-
		<u>(704,707)</u>	<u>(831,964)</u>
Loss for the half-year			
Other comprehensive income for the half-year			
Foreign Currency Translation Reserve		(26,470)	-
		<u>(26,470)</u>	<u>-</u>
Total comprehensive loss for the half-year attributable to the owners of the Group		<u>(731,177)</u>	<u>(831,964)</u>
Basic and diluted loss per share (cents per share)		<u>(0.07)</u>	<u>(0.11)</u>

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

SULTAN CORPORATION LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2010

	Note	31 December 2010 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents	3	846,844	486,890
Trade and other receivables		37,829	10,781
Prepayments		12,959	24,689
Total current assets		897,632	522,360
Non-current assets			
Other assets	4	211,777	228,837
Exploration and evaluation assets		3,237,240	3,237,240
Plant & equipment		18,037	19,771
Total non-current assets		3,467,054	3,485,848
Total assets		4,364,686	4,008,208
Current liabilities			
Trade and other payables		156,080	154,448
Provisions		23,544	22,946
Borrowings	5	395,402	-
Total current liabilities		575,026	177,394
Total liabilities		575,026	177,394
Net assets		3,789,660	3,830,814
Equity			
Issued capital	6	40,598,443	39,979,448
Reserves		2,024,058	1,979,500
Accumulated losses		(38,832,841)	(38,128,134)
Total equity		3,789,660	3,830,814

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

SULTAN CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2010

	Issued Capital	Convertible Note Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	39,979,448	-	1,979,500	-	(38,128,134)	3,830,814
Comprehensive income for the half year						
Loss for the half year	-	-	-	-	(704,707)	(704,707)
Foreign Currency Translation	-	-	-	(26,470)	-	(26,470)
Total comprehensive income for the half year	-	-	-	(26,470)	(704,707)	(731,177)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	30,577	-	-	30,577
Issue of shares, net of transaction costs	291,995	-	-	-	-	291,995
Value of conversion rights on convertible note issues	-	71,764	-	-	-	71,764
Conversion of Convertible Note ¹	327,000	(31,313)	-	-	-	295,687
Balance at 31 December 2010	40,598,443	40,451	2,010,077	(26,470)	(38,832,841)	3,789,660

¹ The issued capital arising on the conversion of the convertible note is primarily a reduction in debt.

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

SULTAN CORPORATION LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)****For the half-year ended 31 December 2009**

	Issued Capital \$	Option Premium Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2009	38,442,800	587	2,096,800	(36,350,761)	4,189,426
Comprehensive income for the half year					
Loss for the half year	-	-	-	(831,964)	(831,964)
Total comprehensive income	-	-	-	(831,964)	(831,964)
Transactions with owners in their capacity as owners:					
Placement shares	1,500,000	-	-	-	1,500,000
Options expired	-	(587)	(117,300)	117,887	-
Capital raising costs	(95,700)	-	-	-	(95,700)
Balance at 31 December 2009	39,847,100	-	1,979,500	(37,064,838)	4,761,762

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

SULTAN CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2010

	Note	Half-year 2010 \$	Half-year 2009 \$
Cash flows from operating activities			
Payments to suppliers and employees		(604,333)	(589,955)
Exploration expenditure		(260,999)	(95,115)
Interest received		9,749	8,146
		<u> </u>	<u> </u>
<i>Net cash flows used in operating activities</i>		<u>(855,583)</u>	<u>(676,924)</u>
Cash flows from investing activities			
Deposits returned		-	10,000
Advances		-	(126,512)
Advances repaid		125,000	-
Payments for Plant & Equipment		(3,489)	-
		<u> </u>	<u> </u>
<i>Net cash flows used in investing activities</i>		<u>121,511</u>	<u>(116,512)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		330,000	1,500,000
Share issue costs		(21,505)	(95,700)
Proceeds from borrowings – convertible notes	5	787,619	-
		<u> </u>	<u> </u>
<i>Net cash flows provided by financing activities</i>		<u>1,096,114</u>	<u>1,404,300</u>
		<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents		362,042	610,864
Exchange rate adjustment		(2,088)	(2,077)
Cash and cash equivalents at beginning of the half-year		486,890	884,604
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the half-year	3	<u>846,844</u>	<u>1,493,391</u>

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

1. Statement of significant accounting policies

Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: "Interim Financial Reporting", Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34: "Interim Financial Reporting".

The interim half-year report does not include full disclosures 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 the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX listing rules.

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

Impact of standards issued but not yet applied by the entity

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. The Group has decided against early adoption of any new Standards and Interpretations except amendments resulting from AASB 2009-5. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going Concern

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

The Group has incurred a comprehensive loss after tax for the half-year ended 31 December 2010 of \$731,177 (2009 half-year: \$831,964) and experienced net cash outflows from operating activities of \$855,583 (2009 half-year: \$676,924).

Although an amount of \$1,248,500 was raised post balance date from a share placement (*note 10*), the Directors are aware that to continue its current exploration program based on the cashflow forecast, further funding is required through the issue of equity or debt for the entity to continue as a going concern. In the event that the Group is not successful in raising funds from the issue of equity or debt, there exists a material uncertainty that may cast a significant doubt over the Group's ability to continue as a going concern and realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

SULTAN CORPORATION LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the half-year ended 31 December 2010

	31 December 2010 \$	31 December 2009 \$
2. Other Income		
Reversal of Impairment ¹	125,000	-

¹ On 1 April 2009 the Company entered into a formal agreement to engage consultants to procure mining permits in West Africa. As part of that agreement (as varied), the Company advanced the consultant a total of US\$500,000 (US\$400,000 in 2009 and US\$100,000 in 2010) as an advance against the fee of US\$700,000 payable to the consultant on procurement of the mining permits.

The consultant was unable to perform the services within the term and the advance was repayable to the Company without deduction. The Company had taken out a second mortgage on the residence of the principals of the consultant; however there as there was no reasonable certainty that there would be equity in the property on realisation, the entire amount was impaired in the prior year.

During the current period, a settlement deed was entered into, whereby the consulting company was ordered to pay a one-off sum of AUD \$125,000, which has been received during the month of September, and therefore a reversal of the original impairment.

	31 December 2010 \$	30 June 2010 \$
3. Cash and cash equivalents		
Cash at bank	846,844	486,890
4. Other Assets		
Deposits – Australia	81,345	81,345
Deposits - Montenegro	130,432	147,492
	<u>211,777</u>	<u>228,837</u>

These deposits are lodged with the respective governments for the grant of the applicable exploration and mining leases. The 30 June 2010 Montenegro deposit has been re-classified this period to other assets, from cash and cash equivalents. As these deposits are in place for the entity's exploration projects, they will be classified as non-current assets.

5. Convertible Note

In July 2010 the Company secured up to an aggregate of US\$4m through an agreement to issue two consecutive convertible notes of US\$2m each. The finance was provided by La Jolla Cove Investments Inc. To date only one note has been issued, with cash drawn down on a monthly basis of US\$150,000 payments. The draw down to date is US\$750,000, making up 37.5% of the first note. The notes are unsecured, have an interest rate of 4.75% and convertible into equity of the parent entity, at the option of the holder, or repayable 2 years from the issue date of the notes. The convertible note is presented in the balance sheet as follows;

SULTAN CORPORATION LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the half-year ended 31 December 2010

5. Convertible Note (Continued)

	31 December 2010	30 June 2010
	\$	\$
Face Value of Notes Issued	787,619	-
Convertible note reserve – value of conversion rights	(40,451)	-
Amount converted to issued capital	(327,000)	-
	<u>420,168</u>	<u>-</u>
Interest expense*	9,762	-
Interest paid/payable	(4,475)	-
Foreign Exchange Gain	(30,053)	-
<i>Total Liability</i>	<u>395,402</u>	<u>-</u>

* Interest expense is calculated by applying the effective interest rate of 10% to the liability component.

On 30 November 2010, the shareholders did not approve the issue of further convertible notes at the AGM, and therefore no further draw-downs could take place on the facility. The shareholders have however approved the allotment of shares upon the conversion of the convertible notes already issued. On this basis, it is expected that the convertible note could be extinguished within 12 months, and the debt proportion has been classified as a current liability.

6. Issued Capital

	31 December 2010		30 June 2010	
	Number of shares	\$	Number of shares	\$
Movement in ordinary shares				
Opening balance	901,772,304	39,979,448	738,537,435	38,442,800
Placement Shares	55,000,000	330,000	150,000,000	1,500,000
Conversion of convertible notes	85,723,684	327,000	-	-
Share based payments	-	-	13,234,869	132,348
Capital raising costs	-	(38,005)	-	(95,700)
Closing balance	<u>1,042,495,988</u>	<u>40,598,443</u>	<u>901,772,304</u>	<u>39,979,448</u>

7. Share Based Payments

10,000,000 unlisted share options were granted to consultants during the half year (2009: Nil). These options were issued in consideration for services provided to assist with the listing of the Company on the Frankfurt Stock Exchange. The fair value of the options is estimated as at the date of grant using the Black-Scholes calculation, taking into accounts the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the half-year ended 31 December 2010.

Expected volatility (%)	120
Risk-free interest rate (%)	4.50
Exercise price	\$0.01
Expiry date	21 October 2013

Set out below is a summary of the options on hand at 31 December 2010:

Expiry date	Exercise price	Balance at start of period	Granted during the period	Exercised during the period	Expired/ Lapsed during the period	Balance unvested at period end	Balance vested and exercisable
31/12/2010	\$0.02	49,000,000	-	-	(49,000,000)	-	-
21/10/2013	\$0.01	10,000,000	10,000,000	-	-	-	10,000,000
		<u>59,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>(49,000,000)</u>	<u>-</u>	<u>10,000,000</u>

SULTAN CORPORATION LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the half-year ended 31 December 2010

8. Segment Information

Description of Business Segment

In accordance with AASB 8, the reportable segments are based on aggregated operating segments determined by the similarity of the minerals targeted, as these are the sources of the consolidated entity's major risks and have the most effect on the rates of return.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an all other segments reporting segment. In accordance with AASB 8 *Segment Reporting*, corporate and administration activities are to be included in the 'other segments' reporting segment.

The consolidated entity is an explorer for prospective zinc and copper tenements in New South Wales and zinc and lead in Montenegro, and the Board considers the entity from both a commodity type, and a geographical perspective, and at this stage just has the two reportable segments. There is no profit or loss attributable to the reportable segments.

(i) Segment assets - 31 December 2010

	Montenegro Exploration \$	Australia Exploration \$	Total \$
Segments assets	130,432	3,318,585	3,449,017

Reconciliation of segment assets to the statement of financial position

Cash and cash equivalents			846,844
Trade and other receivables			37,829
Prepayments			12,959
Plant and equipment			18,037
Total Assets			4,364,686

(ii) Segment assets – 30 June 2010

	Montenegro Exploration \$	Australia Exploration \$	Total \$
Segments assets	147,492	3,318,585	3,466,077

Reconciliation of segment assets to the statement of financial position

Cash and cash equivalents			486,890
Trade and other receivables			10,781
Prepayments			24,689
Plant and equipment			19,771
Total Assets			4,008,208

9. Commitments and Contingencies

There have been no material changes in commitments and contingencies since 30 June 2010.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the half-year ended 31 December 2010

10. Events occurring after Balance Date

In February 2011, the Company successfully completed a placement to sophisticated investors, issuing approximately 156m shares at \$0.008 to raise a total of \$1,248,500 (before costs).

There have been no other matters or circumstances that have arisen since 31 December 2010 that have significantly affected, or may significantly affect:

1. the Consolidated Entity's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Consolidated Entity's state of affairs in future financial years.

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DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity as set out on pages 6 to 15:
 - (i) give a true and fair view of the financial position as at 31 December 2010 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, as outlined in note 1.

This declaration is made in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001.



Derek Lenartowicz
Managing Director

Perth
Date: 15 March 2011

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Independent Auditor's Review Report to the members of Sultan Corporation Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Sultan Corporation Limited (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes 1 to 10, and the directors' declaration of the consolidated entity comprising of the Company and the entity it controlled at the half-year end or from time to time during the interim period.

Directors' Responsibility for the Interim Financial Report

The directors of the Group are responsible for the preparation of the interim 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 interim 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 interim 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 2010 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sultan Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*.

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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 Sultan Corporation 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 period 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 opinion, we draw attention to Note 1 in the financial report, which indicates that the Group will require further funding within the next twelve months from the date of this report to fund its planned exploration program. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

MGIPAS

MGI Perth Audit Services Pty Ltd

**TJ Spooner CA, FCA (UK) ACIS
Director**

Perth

15 March 2011

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