Larus Energy Limited

ABN 16 140 709 360

Financial Report
For the Half-year ended
30 June 2012

DIRECTORS
Graham Holdaway (Chairman)
David Williams (Managing Director)
Kay Philip (Non Executive Director)
Peter Fennessy (Non Executive Director)

COMPANY SECRETARY
Andrew Cooke

REGISTERED AND
ADMINISTRATION OFFICE
Level 8, 65 York Street, Sydney, NSW 2000

AUDITORS
BDO East Coast Partnership
Level 10, 1 Margaret Street, Sydney, NSW, 2000

BANK
Bank of South Pacific
Commonwealth Bank of Australia

CONTENTS

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Larus Energy Limited ("the Company" or "LEL") and the entities it controlled at the end of and during the 6 month period ended 30 June 2012 ("financial period").

Directors

The following persons were Directors of the Company during the whole of the financial period and up to the date of this report:

Graham Holdaway (Chairman)
David Williams (Managing Director)
Kay Philip (Non Executive Director)
Peter Fennessy (Non Executive Director)

Principal activities

The principal activity of the consolidated entity is the exploration for oil and gas. There has been no change in the principal activities during the period.

Results

The net result of operations after applicable income tax expense of the consolidated entity for the half year to 30 June 2012 was a loss of $596,839 (2011: $128,691).

Review of operations

The consolidated entity continued its principal activity of the exploration for oil and gas.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

At the date of this report there were no matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

i) the operations of the consolidated entity,
ii) the results of those operations, or
iii) the state of affairs of the consolidated entity

in the financial period to 30 June 2012.

Likely developments

The Company is hoping to identify oil and gas exploration and evaluation opportunities which are perceived to offer outstanding value. As the consolidated entity's areas of interest are at an early stage of exploration, it is not possible to postulate likely developments.

DIRECTORS' REPORT

Environment

The Company, through its subsidiaries, holds exploration tenements in Papua New Guinea and Australia which are subject to various governmental statutes and guidelines for environmental impacts in relation to exploration activities. These provide for the satisfactory rehabilitation of the areas of exploration. There have been no material known breaches of the licence conditions.

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

Graham Holdaway
Chairman Sydney, 20 August 2012

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	**41,980**	14,373
Expenses			
Administration costs		**(46,290)**	(93,311)
Corporate costs		**(224,895)**	(16,230)
Depreciation	3	**(18,593)**	(531)
Employment costs		**(227,549)**	(4,681)
Foreign currency gains / (losses)		**2,208**	(2,726)
Investor and public relations		**(69,021)**	(21,634)
Occupancy costs	3	**(37,840)**	(4,120)
Travel expenses		**(11,169)**	(36,442)
Exploration cost written off		**(87,419)**	-
Other expenses from ordinary activities		**(21,463)**	(9,040)
Loss from ordinary activities before income tax expense		**(700,051)**	**(174,342)**
Income tax (expense) benefit		-	-
Net loss from ordinary activities after income tax expense		**(700,051)**	**(174,342)**
Other comprehensive income after income tax:			
Exchange differences on translating foreign controlled entities		**103,212**	45,651
Other comprehensive income for the period, before tax		**103,212**	45,651
Income tax (expense) benefit		**-**	-
Other comprehensive income for the period, net of tax		**103,212**	**45,651**
Total comprehensive income for the period attributable to members of the parent entity		**(596,839)**	**(128,691)**
Basic and diluted loss per share (cents)	5	**(40)**	**(14)**

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	Consolidated 30 June 2012	Consolidated 31 December 2011
CURRENT ASSETS		**$**	**$**
Cash and cash equivalents		**2,252,874**	2,303,789
Trade and other receivables		**78,815**	24,839
Other current assets		**106,616**	38,016
TOTAL CURRENT ASSETS		**2,438,305**	2,366,644
NON-CURRENT ASSETS			
Trade and other receivables		**47,368**	45,229
Deferred exploration and evaluation expenditure		**8,400,115**	4,144,081
Plant and equipment		**294,805**	73,334
TOTAL NON-CURRENT ASSETS		**8,742,288**	4,262,644
TOTAL ASSETS		**11,180,593**	6,629,288
CURRENT LIABILITIES			
Trade and other payables		**286,891**	872,197
Provisions		**32,838**	10,422
TOTAL CURRENT LIABILITIES		**319,729**	882,619
NON-CURRENT LIABILITIES			
Provisions		**1,789**	-
TOTAL NON-CURRENT LIABILITIES		**1,789**	-
TOTAL LIABILITIES		**321,518**	882,619
NET ASSETS		**10,859,075**	5,746,669
SHAREHOLDERS' EQUITY			
Issued capital	6	**13,184,379**	7,620,155
Foreign currency translation reserve		**147,597**	44,385
Share based payments reserve		**622,889**	277,868
Accumulated losses		**(3,095,790)**	(2,395,739)
TOTAL EQUITY		**10,859,075**	5,746,669

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

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012

Consolidated	**Issued Capital**	**Accumulated Losses**	**Foreign Currency Reserve**	**Share Based Payments Reserve**	**Total Equity**
	$	**$**	**$**	**$**	**$**
At 1 January 2011	2,580,335	(1,748,564)	(105,014)	283,211	1,009,968
Transactions with owners in their capacity as owners					
Shares issued during the period	2,655,000	-	-	-	2,655,000
Capital raising costs	(245,211)	-	-	-	(245,211)
Share based payments	-	-	-	94,800	94,800
	2,409,789	**-**	**-**	**94,800**	**2,504,589**
Comprehensive income for the period	-	(174,342)	45,651	-	(128,691)
At 30 June 2011	**4,990,124**	**(1,922,906)**	**(59,363)**	**378,011**	**3,385,866**
At 1 January 2012	7,620,155	(2,395,739)	44,385	477,868	5,746,669
Transactions with owners in their capacity as owners					
Shares issued during the year	5,994,476	-	-	-	5,994,476
Capital raising costs	(480,252)	-	-	-	(480,252)
Share based payments	50,000	-	-	145,021	195,021
	5,564,224	**-**	**-**	**145,021**	**5,709,245**
Comprehensive income for the period	-	(700,051)	103,212	-	(**596,839**)
At 30 June 2012	**13,184,379**	**(3,095,790)**	**147,597**	**622,889**	**10,859,075**

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

STATEMENT OF CASH FLOWS

for the six months ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers (inclusive of GST)		**(1,155,969)**	(593,162)
Interest received		**33,032**	14,373
NET CASH (OUTFLOWS) FROM OPERATING ACTIVITIES		**(1,122,937)**	(578,789)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on plant and equipment		**(240,064)**	(1,890)
Expenditure on mining interests (exploration)		**(4,343,453)**	(980,916)
NET CASH (OUTFLOWS) FROM INVESTING ACTIVITIES		**(4,583,517)**	(982,806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**5,994,476**	2,507,500
Share issue costs		**(426,356)**	(162,711)
Cash received from acquisition of controlled entity		**-**	951
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**5,568,120**	2,345,740
NET (DECREASE) INCREASE IN CASH HELD		**(50,915)**	784,145
Cash and cash equivalents at the beginning of the financial period		**2,303,789**	493,481
Cash and cash equivalents at the end of the financial period		**2,252,874**	1,277,626

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

Contents of the notes to the financial statements

1. Summary of significant accounting policies

The half year financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This financial report covers Larus Energy Limited and its subsidiaries (the "consolidated entity") and was authorised for issue in accordance with a resolution of Directors on 20th day of August 2012.

Larus Energy Limited is a public company, incorporated and domiciled in Australia. The consolidated entity's operations comprise of exploration for oil and gas in Australia and Papua New Guinea.

Basis of preparation

The financial report has been prepared on the historical cost basis except as disclosed in the notes to the financial report. Cost is based on the fair value of the consideration given in exchange for assets.

Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2011.

Going Concern

The consolidated entity made a net loss after tax of $596,839 for the six months ended 30 June 2012 (2011: $128,691).

The ongoing viability of the consolidated entity and the recoverability of its non-current assets are dependent on the successful development of its exploration tenements. The Directors believe that the projects will be ultimately successful and that the non-current assets are included in the Financial Report at their recoverable amount.

The Financial Report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure, exploration commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the consolidated entity will be able to fund future operations through raising capital. At the date of this report other sources of funds are being sought to fund future working capital requirements of the consolidated entity but are not sufficiently advanced to place reliance on.

The Directors believe that they will be successful in raising sufficient funds to ensure that the consolidated entity can continue to meet its debts as and when they become due and payable. This is on the basis the Directors have raised capital successfully in the past. However, if additional funds are not raised, there is some uncertainty as to whether the going concern basis is appropriate with the result that the consolidated entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report. No allowance for such circumstances has been made in the Financial Report.

Critical accounting estimates and assumptions

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no current 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 period.

Estimated impairment of deferred exploration and evaluation expenditure

The consolidated entity tests at each reporting period whether the deferred exploration and evaluation expenditure have suffered any impairment in accordance with the consolidated entity's accounting policy.

2. REVENUE	Consolidated 2012 $	Consolidated 2011 $
Interest received	**33,032**	14,373
Other income	**8,948**	-
Total revenue from continuing operations	**41,980**	14,373

3. OPERATING LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

The operating loss from ordinary activities before income tax expense has been determined after charging the following expenses:

Depreciation		
Depreciation of plant and equipment	**18,593**	531
Occupancy Costs		
Office rent	**37,320**	4,120
Other office costs	**520**	-
	37,840	4,120

4. FINANCIAL REPORTING BY SEGMENTS

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity is managed primarily on the basis of exploration in Papua New Guinea and Australia. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

4. FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

Basis of accounting for purposes of reporting by operating segments (continued)

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated entity.

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the consolidated entity's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the consolidated entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

— impairment of assets and other non-recurring items of revenue or expense;
— income tax expense;
— deferred tax assets and liabilities;
— current tax liabilities;
— other financial liabilities;
— intangible assets;

4. FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

a) OPERATING SEGMENTS

2012	Head Office	Exploration Gippsland	Exploration Papua New Guinea	Inter segment transactions and eliminations	Total
	2012	2012	2012	2012	2012
Segment performance	$	$	$	$	$
Interest received	32,251	-	781	-	33,032
Management Fees	571,388	-	-	(571,388)	-
Other Income	8,948	-	-	-	8,948
Total revenue from continuing operations	**612,587**	**-**	**781**	**(571,388)**	**41,980**
Segment net profit from continuing operations before tax	**(484,773)**	**(87,661)**	**(111,363)**	**(188)**	**(683,853)**
Reconciliation of segment result to group net profit/loss before tax:					
Amounts not included in segment result but reviewed by the Board:					
— depreciation and amortisation					(18,593)
— foreign currency gains/(losses)					2,395
Net profit before tax from continuing operations					**(700,051)**
Segment Assets	**7,711,243**	**985,549**	**7,502,548**	**(5,018,747)**	**11,180,593**
Reconciliation of segment assets to group assets:					
Unallocated assets					-
Group assets:					**11,180,593**
Segment Liabilities	**346,221**	**550,815**	**4,443,041**	**(5,018,559)**	**321,518**
Reconciliation of segment liabilities to group liabilities:					
Unallocated liabilities					-
Group liabilities					**321,518**

4. FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

a) OPERATING SEGMENTS (CONTINUED)

2011	Head Office 2011	Exploration Papua New Guinea 2011	Total 2011
Segment performance	**$**	**$**	**$**
Interest received	20	14,353	14,373
Total revenue from continuing operations	20	14,353	14,373
Segment net profit from continuing operations before tax	(20,471)	(153,340)	(173,811)
Reconciliation of segment result to group net profit/loss before tax:			
Amounts not included in segment result but reviewed by the Board:			
— depreciation and amortisation			(531)
— foreign currency gains/(losses)			45,651
Net profit before tax from continuing operations			(128,691)
Segment Assets	812,144	3,015,470	3,827,614
Reconciliation of segment assets to group assets:			
Unallocated assets			-
Group assets:			3,827,614
Segment Liabilities	-	331,747	331,747
Reconciliation of segment liabilities to group liabilities:			
Unallocated liabilities			110,000
Group liabilities			441,747

b) GEOGRAPHICAL SEGMENTS

2012	Australia 2012	Papua New Guinea 2012	Inter segment transactions and eliminations 2012	Total 2012
Segment performance	**$**	**$**	**$**	**$**
Interest received	32,251	781	-	33,032
Management Fees	571,388	-	(571,388)	-
Other Income	8,948	-	-	8,948
Total revenue from continuing operations	**612,587**	**781**	**(571,388)**	**41,980**
Segment net profit from continuing operations before tax	**(572,490)**	**(111,363)**	**-**	**(683,853)**
Reconciliation of segment result to group net profit/loss before tax:				
Amounts not included in segment result but reviewed by the Board:				
— depreciation and amortisation				(18,593)
— foreign currency gains/(losses)				2,395
Net profit before tax from continuing operations				**(700,051)**

4. FINANCIAL REPORTING BY SEGMENTS (CONTINUED)

b) *GEOGRAPHICAL* SEGMENTS (CONTINUED)

2012	Australia	Papua New Guinea	Inter segment transactions and eliminations	Total
	2012	2012	2012	2012
	$	$	$	$
Segment Assets	**8,119,641**	**7,502,548**	**(4,441,596)**	**11,180,593**
Reconciliation of segment assets to group assets:				
Unallocated assets				-
Group assets:				11,180,593
Segment Liabilities	**320,073**	**4,443,041**	**(4,441,596)**	**321,518**
Reconciliation of segment liabilities to group liabilities:				
Unallocated liabilities				-
Group liabilities				321,518

2011	Australia	Papua New Guinea	Total
	2011	2011	2011
Segment performance	$	$	$
Interest received	20	14,353	14,373
Total revenue from continuing operations	20	14,353	14,373
Segment net profit from continuing operations before tax	**(20,471)**	**(153,340)**	**(173,811)**
Reconciliation of segment result to group net profit/loss before tax:			
Amounts not included in segment result but reviewed by the Board:			
— depreciation and amortisation			(531)
— foreign currency gains/(losses)			45,651
Net profit before tax from continuing operations			(128,691)
Segment Assets	**812,144**	**3,015,470**	**3,827,614**
Reconciliation of segment assets to group assets:			
Unallocated assets			-
Group assets:			3,827,614
Segment Liabilities	**-**	**331,747**	**331,747**
Reconciliation of segment liabilities to group liabilities:			
Unallocated liabilities			110,000
Group liabilities			441,747

5. LOSS PER SHARE	2012
Basic and diluted	
Weighted average number of shares used in basic and diluted loss per share	147,549,543
Basic and diluted loss per share (cents per share)	**(40)**
Anti-dilutive options on issue not used in dilutive EPS calculation	15,250,000

6. CONTRIBUTED EQUITY	Consolidated 2012 Number of shares	Consolidated 2012 $
Issued Capital		
Ordinary shares - fully paid	161,965,120	15,353,767
Less share issue costs		(2,260,513)
Total contributed equity		**13,093,254**

Movements in Issued Capital	Consolidated 2012 Number of shares	Consolidated 2012 $
Balance as at 1 January 2012	131,742,620	7,620,155
Issues during period:		
Share based payment on appointment of director	250,000	50,000
Shares issued pursuant to the Information Memorandum	29,972,500	5,994,476
	161,965,120	**13,664,631**
Less share issue costs		(480,252)
Balance as at 30 June 2012		**13,184,379**

7. EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

There were at the date of this report no matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

i) the operations of the consolidated entity,
ii) the results of those operations, or
iii) the state of affairs of the consolidated entity

in the financial year subsequent to 30 June 2012.

8. CONTINGENT LIABILITIES

Deferred payment for acquisition of tenements.
A controlled entity has entered into an agreement in 2011 with Great Artesian Oil and Gas Pty Limited and Drillsearch Energy Limited to acquire exploration tenements in Gippsland, Victoria. Part of the consideration for the tenements was deferred until 5 business days after Larus Energy Ltd achieves listing on ASX.
The deferred consideration is $600,000 plus the "Consideration Shares".

Consideration Shares means a number of Listing Entity Securities which are to be issued and allotted to Drillsearch as calculated as follows:

NCS = $1,600,000.00 divided by LEP

where
NCS is the number of Consideration Shares to be issued to Drillsearch, and
LEP is the price per Listing Entity Security on the Listing Date;

There are no other contingent liabilities.

9. ROYALTIES

M Swift – Overriding Royalty
The holders of the interests in PPL 326 are obligated to pay an Overriding Royalty to Mr Swift of 0.5% of the Wellhead Value of all Petroleum produced and sold from tenement PPL326 in PNG.

P Cooney – Overriding Royalty
The holders of the interests in the applicable Gippsland Permit are obligated to pay an Overriding Royalty to Mr Cooney of 1.0% of the Wellhead Value of all Petroleum produced and sold from the applicable Gippsland Permit (being any of VIC/P63, VIC/P64 and T/46P in Australia).

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulation 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Dated at Sydney this 20th day of August 2012

On behalf of the Board

Graham Holdaway
Chairman

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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY BRUCE GORDON TO THE DIRECTORS OF LARUS ENERGY LIMITED

As lead auditor for the review of Larus Energy Limited for the half-year ended 30 June 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
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Larus Energy Limited and the entities it controlled during the period.

Bruce Gordon

Partner

BDO East Coast Partnership

Sydney, 20 August 2012

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Sydney NSW 2000
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Larus Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Larus Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Larus Energy Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the entity 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 internal 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 half-year 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 30 June 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 Larus Energy 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Larus Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Larus Energy Limited 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 30 June 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 modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $596,839 during the period ended 30 June 2012. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Bruce Gordon

Bruce Gordon
Partner

Sydney, 20 August 2012