

**APPENDIX 4D  
HALF-YEAR INFORMATION GIVEN TO THE ASX  
UNDER LISTING RULE 4.2A.3**

**MKY CORPORATION LIMITED  
ABN 71 099 247 408**

**HALF YEAR ENDED  
31 DECEMBER 2006**

The information provided in this report should be read in conjunction with the most recent annual financial statements and ASX announcements.

## Results for Announcement to the Market

During the course of the voluntary administration / deed of company arrangement, ASIC granted the Company the following reporting relief:

1. an exception under Section 340(1) of the Corporations Act from its financial reporting obligations in Section 302 of the Corporations Act for the financial year ended 30 June 2006; and
2. a no-action letter in relation to the Company's failure to prepare, have audited and lodge a half-year report for the half year ended 31 December 2005.

Audited financial statements have not been prepared since the 30 June 2005 annual report. Accordingly, no comparative financial information has been prepared in respect of the half year ended 31 December 2005 or at 30 June 2006.

	\$	Up/down	% Movement
Revenue from ordinary activities	Nil	N/A	N/A
Net profit / (loss) from ordinary activities after tax attributable to members	(6,338,568)	N/A	N/A
Net profit / (loss) attributable to members	(6,338,568)	N/A	N/A

## Dividends

No dividend was paid or proposed during the period.

## Net Tangible Assets

Net tangible assets per ordinary share 0.44 cents

## Details of Controlled Entities

Control gained over entities during the period Nil  
Loss of control of entities during the period Nil

## Details of Associates and Joint Venture Entities

Equity accounted associates and joint venture entities Nil  
Aggregate share of Profit / (losses) of associates and joint venture entities Nil

## Audit Disputes or Qualification

The financial statements were qualified because:

1. Audited financials have not been prepared since 30 June 2005 and therefore no comparative financial information has been prepared in respect of the half year ended 31 December 2005 or at 30 June 2006. This is a departure from AASB 134.
2. It was not possible to determine if opening balances for 1 July 2006 are fairly stated.

**MKY CORPORATION LIMITED**  
**ABN 71 099 247 408**

**INTERIM FINANCIAL REPORT**  
**31 DECEMBER 2006**

**CORPORATE DIRECTORY**

**Directors**

Hugh Warner

Ian Hobson

Alan Fitzpatrick (Appointed 21 November 2006)

Allan Blood (Appointed 21 November 2006)

Michael Pollack (Appointed 13 June 2006, Resigned 28 November 2006)

**Company Secretary**

Ian Hobson

**Auditors**

Horwath Sydney Partnership

**Bankers**

Westpac Banking Corporation

**Registered Office**

Suite 6,

245 Churchill Ave

Subiaco WA 6008

Telephone: +61 8 9217 3300

Facsimile: +61 3 9388 3006

Email: ianhobson@bigpond.com

**Share Registry**

Link Market Services Limited

Level 12, 680 George St

SYDNEY NSW 2000

Investor Enquiries: (02) 8280 7111

Facsimile: (02) 9287 0303

**Stock Exchange Listing**

Securities of MKY Corporation Limited are listed on the Australian Stock Exchange.

ASX Code: MKY - ordinary shares

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## DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2006.

### Directors

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

Hugh Warner

Ian Hobson

Allan Blood (appointed 21 November 2006)

Alan Fitzpatrick (appointed 21 November 2006)

Michael Pollack (appointed 13 June 2006. Resigned 28 November 2006)

### Corporate developments

A number of significant corporate events occurred in the half year under review:

- Restructure

At a meeting of shareholders held on 16 August 2006, shareholders voted to accept the terms of a restructure that would see the company released from external administration after the payment of prescribed funds and the transfer of certain assets to the trustee for creditors. The deed of company arrangement was wholly effectuated on 23 August 2006. A prospectus dated 25 August 2006 was issued and closed fully subscribed. The Company allotted 280 million shares and 40 million options raising \$1,901,000. The company was re-admitted to the official list of ASX on 21 September 2006.

- QLD Uranium

MKY Corporation has agreed to acquire 100% of the issued capital of Queensland Uranium Pty Ltd, subject to certain conditions being satisfied and shareholder approval. The consideration for the acquisition, subject to shareholder approval, is the issue of 80 million ordinary shares in MKY Corporation and the issue of 40 million options exercisable at 2.5 cents each, on or before 31 December 2008. In addition, MKY Corporation has agreed to issue 100 million Performance Shares. Upon the achievement of the Performance Hurdle, each Performance Shares will convert into 1 ordinary share and for each two ordinary shares, an attaching option exercisable at 2.5 cents each, on or before 31 December 2008 will be issued.

The Performance Hurdle can be summarised as the carrying out of an exploration programme over the Tenement, the Applications and any future tenements applied for or acquired where MKY Corporation holds greater than 51%. For the Performance Hurdle to be met, the exploration programme must achieve, amongst other things, a minimum U<sub>3</sub>O<sub>8</sub> mean average assay of 2,000 ppm on more than 25% of representative trench channel and/or drill samples assayed.

The acquisition of Queensland Uranium is subject to a number of conditions precedent, including: shareholder approval; completion of due diligence; Queensland Uranium being debt free, the Sandy Creek Tenement being granted and the appointment of Messrs Blood and Fitzpatrick to the board of MKY Corporation.

MKY Corporation has been advised by ASX that the initial consideration of 80 million shares and 40 million options will be subject to a 1 year escrow from the date of issue.

ASX has also advised MKY Corporation that if the proposed exploration programme is successful and accordingly the Performance Hurdle is met and the Performance Shares convert to ordinary shares, the Company may be required to comply with Chapters 1 & 2 of Listing Rules.

MKY Corporation allotted 30 million shares at 1.5 cents each, raising \$450,000 following the announcement of the proposed acquisition. It is intended to apply these funds towards the above exploration programme.

### Review and results of operations

The Company has continued with its Creatable Media Business that comprises the Australian rights to, and intellectual property relating to, the business of tabletop advertising owned by the Company and any leases and licences, which are granted in favour of the Company for the purpose of exploiting the business of tabletop advertising. The Company holds a perpetual, exclusive, royalty free licence to use within Australia the intellectual property associated with its table top advertising business. The Company has sub-licence agreements with Westfield Alliance, AMP Capital, GPT NSW and Lend Lease.

The operating loss for the half-year for the Company was \$6,338,568. The loss included a payment to the deed administrator to settle the deed of company arrangement of \$570,010 and a loss as a result of the terms of the deed of company arrangement of \$5,363,709. The balance of the loss consisted of normal operating expenditure and costs associated with the re-construction and re-listing of the Company.

The Company is currently engaged in Federal Court proceedings in relation to registered patents by a competitor of similar products. The Company is the applicant for the revocation of the patent registered by the competitor and the competitor has lodged a cross claim in which it alleges that the Company has infringed its registered patent. The parties to the proceedings are in negotiations in respect of settlement. The proposed settlement amount and legal costs incurred to date are accrued in the financial statements.

### Reporting Relief

During the course of the voluntary administration / deed of company arrangement, ASIC granted the Company the following reporting relief:

1. an exception under Section 340(1) of the Corporations Act from its financial reporting obligations in Section 302 of the Corporations Act for the financial year ended 30 June 2006;
2. an order pursuant to Section 250P of the Corporations Act to extend the period within which it is required to hold its annual general meeting of Shareholders to 28 February 2007; and
3. a no-action letter in relation to the Company's failure to prepare, have audited and lodge a half-year report for the half year ended 31 December 2005.

Audited financial statements have not been prepared since the 30 June 2005 annual report. Accordingly, no comparative financial information has been prepared in respect of the half year ended 31 December 2005 or at 30 June 2006.

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, Horwath Sydney Partnership, 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 6.

Signed in accordance with a resolution of the directors.  
On behalf of the Directors



**Ian Hobson**  
Director  
Company Secretary  
Perth  
31 January 2007



The Board of Directors  
MKY Corporation Limited  
Suite 6, 245 Churchill Avenue  
Subiaco WA 6008

Horwath Sydney Partnership  
ABN 30 856 062 171  
Chartered Accountants  
1 Market Street Sydney NSW 2000  
GPO Box 1455 Sydney NSW 2001  
DX 13004 Sydney Market Street  
Tel 02 9372 0777  
Fax 02 9372 0606  
www.horwath.com.au

### Auditor's Independence Declaration

This declaration is made in connection with my review of the financial report of MKY Corporation Limited for the half-year ended 31 December 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor 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 this review;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this review.

Yours faithfully  
**HORWATH**  
SYDNEY PARTNERSHIP

  
**ALFRED NEHAMA**  
Partner

31 January 2007

**INCOME STATEMENT**

For the half-year ended 31 December 2006

	31 December 2006 \$
<b>Interest Income</b>	22,014
Administrative expenses	(43,834)
Directors' remuneration	(70,000)
Corporate compliance costs	(37,285)
Consulting fees	(20,404)
Legal fees	(112,275)
Rent	(46,875)
Other expenses	(60)
Impairment of property, plant & equipment	(96,130)
Payment to settle deed of company arrangement	(570,010)
Loss due to deed of company arrangement	<u>(5,363,709)</u>
<b>Loss before income tax</b>	(6,338,568)
Income tax expense	<u>0</u>
<b>Loss attributable to members of the parent entity</b>	<u>(6,338,568)</u>
Basic earnings per share (cents per share)	(3.4)
Diluted earnings per share (cents per share)	(3.4)

*The income statement should be read in conjunction with the accompanying notes.*

**BALANCE SHEET**  
As at 31 December 2006

	31 December 2006 \$
<b>Current assets</b>	
Cash and cash equivalents	1,436,928
Receivables	8,837
Prepayments	<u>29,605</u>
<b>Total current assets</b>	<u>1,475,370</u>
<b>Non-current assets</b>	
Property, plant and equipment	<u>26,000</u>
<b>Total non-current assets</b>	<u>26,000</u>
<b>Total assets</b>	<u>1,501,370</u>
<b>Current liabilities</b>	
Trade and other payables	<u>74,599</u>
<b>Total current liabilities</b>	<u>74,599</u>
<b>Total liabilities</b>	<u>74,599</u>
<b>Net assets</b>	<u>1,426,771</u>
<b>Equity</b>	
Issued capital	17,609,111
Option Reserve	1,000
Accumulated losses	<u>(16,183,340)</u>
<b>Total equity</b>	<u>1,426,771</u>

*The balance sheet should be read in conjunction with the accompanying notes.*

**STATEMENT OF CHANGES IN EQUITY**  
**For the half-year ended 31 December 2006**

	Issued capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2005	15,330,611		(9,844,772)	5,485,839
Loss for period			(6,338,568)	(6,338,568)
Issued During Year	2,278,500	1,000		2,279,500
<b>Balance at 31 December 2006</b>	<b>17,609,111</b>	<b>1,000</b>	<b>(16,183,340)</b>	<b>1,426,771</b>

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

**CASH FLOW STATEMENT**

For the half-year ended 31 December 2006

	31 December 2006
	\$
<b>Cash flows from operating activities</b>	
Receipts from customers	0
Payments to suppliers and employees	(294,586)
Payment to settle deed of company arrangement	(570,000)
Interest received	22,014
Interest paid	0
<b>Net cash flows (used in) operating activities</b>	<u>(842,572)</u>
 <b>Cash flows from investing activities</b>	 <u>0</u>
 <b>Cash flows from financing activities</b>	
Proceeds from issue of share capital	2,350,000
Proceeds from issue of options	1,000
Payment of share issue costs	(71,500)
<b>Net cash flows provided by financing activities</b>	<u>2,279,500</u>
 <b>Net increase in cash and cash equivalents</b>	 <b>1,436,928</b>
 Cash and cash equivalents at beginning of the half-year	 0
 <b>Cash and cash equivalents at end of the half-year</b>	 <u><b>1,436,928</b></u>

*The cash flow statement should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2006

### 1. Basis of preparation of the half-year financial report

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: "Interim Financial Reporting".

#### Reporting Relief

During the course of the voluntary administration / deed of company arrangement, ASIC granted the Company the following reporting relief:

1. an exception under Section 340(1) of the Corporations Act from its financial reporting obligations in Section 302 of the Corporations Act for the financial year ended 30 June 2006;
2. an order pursuant to Section 250P of the Corporations Act to extend the period within which it is required to hold its annual general meeting of Shareholders to 28 February 2007; and
3. a no-action letter in relation to the Company's failure to prepare, have audited and lodge a half-year report for the half year ended 31 December 2005.

Audited financial statements have not been prepared since the 30 June 2005 annual report. Accordingly, no comparative financial information has been prepared in respect of the half year ended 31 December 2005 or at 30 June 2006.

It is recommended that this financial report be read in conjunction with the any public announcements made by MKY Corporation Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

As this is the first interim financial report prepared under Australian equivalents to IFRS ("AIFRS"), the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as that report was presented under previous Australian GAAP ("AGAAP"). In preparing this report, certain accounting, valuation and consolidation methods applied in the previous AGAAP have been amended to comply with AIFRS. There are no comparative figures to restate to reflect any adjustments. A summary of the significant accounting policies under AIFRS has been included below.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

The half-year report has been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value.

#### Accounting Policies

##### (a) Income Tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

**(b) Property, Plant and Equipment**

All property, plant and equipment is stated at historical cost less depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

*Impairment*

The carrying amount of property, plant and equipment is reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 1(c).

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

*Depreciation and amortisation*

Depreciation on plant and equipment is calculated on a straight line basis over expected useful life to the economic entity commencing from the time the asset is held ready for use. The major depreciation rates used for each class of depreciable assets are:

Plant and equipment	20% to 50%
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Amortisation of development costs is calculated on a unit of production basis so as to write off the cost of each asset in proportion to the depletion of the proved and probable reserves.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2006**

**1. Basis of Preparation of the Half-Year Financial Report (continued)**

**(c) Recoverable Amount of Assets and Impairment Testing**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The consolidated entity assesses at each reporting date whether any objective indications of impairment are present. Where such an indicator exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the income statement.

**(d) Trade Receivables**

Trade receivables are recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

**(e) Option reserve**

The fair value at grant date is determined using a pricing model that factors in the share price at grant date, the expected price volatility of the underlying share, and the risk free rate for the assumed term of the "option".

Upon the exercise of the "option", the balance of the share-based payments reserve relating to the "options" is transferred to contributed equity.

**(f) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

**(g) Earnings Per Share**

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to equity holders of the Company by the weighted number of shares outstanding during the half-year.

Diluted EPS adjusts the figures used in the calculation of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

**(h) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(i) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**(j) Revenue**

Revenue from the sale of goods is recognised upon control of the goods passing to the buyer.

Interest revenue is recognised on a time proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of any goods and services tax (GST).

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(l) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

**2. Dividends**

No dividends have been paid or provided for during the half-year.

**3. Issued Capital**

<b>Ordinary Shares</b>	<b>No.</b>	<b>\$</b>
Opening balance 31/12/05	13,028,102	15,330,611
Placement Offer 14/9/06	120,000,000	300,000
Share Offer 14/9/06	160,000,000	1,600,000
Placement 22/11/06	30,000,000	450,000
Share issue expenses	-	(71,500)
<b>Closing balance 31/12/06</b>	<b>323,028,102</b>	<b>\$17,609,111</b>

<b>Options</b>		<b>Option Premium</b>
		<b>\$</b>
Opening balance 31/12/05	Nil	Nil
Issued during period 40 million exercisable at 1 cent	40,000,000	1,000
<b>Closing balance 31/12/06</b>	<b>40,000,000</b>	<b>1,000</b>

**4. Segment Information**

For the half-year ended 31 December 2006, the Company had one business segment (primary) being the Creatable Media Business and had one geographic segment being in Australia.

**5. Events occurring after the balance sheet date**

No events have occurred after balance date that impact the financial statements.

**6. Contingent Assets and Liabilities**

There are no contingent assets or liabilities

**7. Earnings Per Share**

**(a) Basic Earnings Per Share**

The calculation of basic earnings per share for the 6 months ended 31 December 2006 was based on the loss attributable to ordinary members of \$6,338,568 and the weighted number of shares on issue during the period ended 31 December 2006, of 187,684,769.

**(b) Diluted Earnings Per Share**

As the company has made a loss for the half year ended 31 December 2006, the options on issue have no dilutive effect, therefore dilutive earnings per share is equal to basic earnings per share.

**8. Related Party Disclosure**

During the six months ended 31 December 2006 salaries, superannuation and fees paid to director related entities for services rendered amounted to \$70,000.

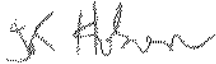
Head office costs for rent, outgoings and office expenses were paid to director related entities during the period ended 31 December 2006 in the amount of \$12,000.

**DIRECTORS' DECLARATION**

In the opinion of the directors:

- (a) the financial statements set out on pages 7 to 15:
  - (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Ian Hobson**  
Director

Perth  
31 January 2007

**MORWATH**

Sydney Partnership  
Chartered Accountants  
A member of Horwath International

1 Market Street Sydney NSW 2000  
GPO Box 1455 Sydney NSW 1041

**Independent Auditor's Review Report to the Members of MKY Corporation Limited**

We have reviewed the accompanying half-year financial report of MKY Corporation Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 15.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

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

*Auditor's Independence Declaration*

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

*Basis for Qualified Conclusion*

As disclosed in Note 1, audited financial statements have not been prepared since the 30 June 2005 financial report. Accordingly, no comparative financial information has been prepared in respect of the half year ended 31 December 2005 or at 30 June 2006.

AASB 134 requires that comparative financial information be disclosed in respect of the previous period. The Australian Securities and Investments Commission has made an order relieving the Company from the requirement to comply with Part 2M.3 (Financial Reporting) of the Corporations Act 2001 for this period. Accordingly, for this financial report, the Company has not prepared or presented comparative financial information, including an income statement, statement of changes in equity and cash flow statement for the half year ended 31 December 2005 or a balance sheet at 30 June 2006. This represents a departure from AASB 134.

In addition, we have been unable to determine whether the 1 July 2006 opening balances for the half year ended 31 December 2006 are fairly stated. These opening balances enter into the determination of the income statement, statement of changes in equity and cash flow statement for the half year ended 31 December 2006. Had we been able to complete our review of these balances, matters might have come to our attention indicating that adjustments might be necessary to the financial report for the half year ended 31 December 2006.

*Qualified Conclusion*

Except for the adjustments to the financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of MKY Corporation 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 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Dated the 31<sup>st</sup> day of January 2007

**HORWATH**  
**Sydney Partnership**  
Chartered Accountants

  
**ALFRED NEHAMA**  
Partner