gulfindustrials

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2010

GULF INDUSTRIALS LIMITED
ABN 13 115 027 033
& CONTROLLED ENTITIES

gulfindustrials

ABN 13 115 027 033
& CONTROLLED ENTITIES

DIRECTORS REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010.

DIRECTORS

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

	Date Appointed	Date Resigned
S Jonah	16 November 2010	-
V Fitzmaurice	6 January 2011	-
J Best	21 February 2011	-
M Brook	6 January 2011	-
G Duncan	30 June 2005	-
C Innis	31 August 2010	-
R Jurd	21 February 2011	-
W Kernaghan	30 June 2005	-
S Reid	30 June 2005	21 February 2011

REVIEW & RESULTS OF OPERATIONS

Gulf Industrials is an African focused industrial mineral developer.

Gulf has produced 2,475 tonnes of vermiculite from its Namekara vermiculite mine in Uganda for the half year. During the half year work has commenced which will see production increase to 30,000 tpa from 1 July 2011. The company has an agreement with Dupre Minerals Limited for exclusive sales and distribution of vermiculite.

During the half year the company acquired limestone leases in Madagascar with exploration activities to commence in 2011.

The net loss for the half-year ended 31 December 2010, after providing for income tax amounted to $2,449,289 (31 December 2009: loss of $2,502,386).

The principal activities of the consolidated group during the financial period were mining, mine development, mineral exploration and seeking mining opportunities.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporation's Act 2001 is set out on page 2 for the half year ended 31 December 2010.

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

Wayne Kernaghan
Director

Sydney,
16 March 2011

A D Danieli Audit Pty Ltd
Authorised Audit Company
ASIC Registered Number 339233

Audit & Assurance Services

Level 14, 275 George Street
Sydney NSW 2000
PO Box H88
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099
Fax: (02) 9262 2502

Email: add3@addca.com.au
Website: www.addca.com.au

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GULF INDUSTRIALS LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December, 2010 there have been:

(a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) No contraventions of any applicable code of professional conduct in relation to the review.

A D Danieli Audit Pty Ltd

Sam Danieli
Director

Sydney, 11 March 2011

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

	NOTE	31 DEC 2010 $	31 DEC 2009 $
Revenue		786,843	22,121
Depreciation expense		(212,743)	(225,186)
Exploration expenditure written off		(145,682)	(1,051,031)
Employee benefits expense		(1,433,336)	(429,950)
Other expenses		(1,444,371)	(818,340)
Profit / (Loss) before income tax		(2,449,289)	(2,502,386)
Income tax expense		-	-
Net profit /(loss) for the period attributable to members of the parent entity	2	(2,449,289)	(2,502,386)
Other comprehensive income			
Net change in fair value of financial liability	9	126,417	79,294
Exchange differences on translating foreign controlled entities		(701,520)	(13,043)
Net change in fair value of available for sale assets		-	(6,377)
Other comprehensive income/(loss) for the period, net of tax		(575,103)	59,874
Total comprehensive income/(loss) for the period attributable to members of the parent entity		(3,024,392)	(2,442,512)
Basic profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)		(0.8)	(1.9)
Diluted profit/(loss)per share attributable to ordinary equity holders of the parent (cents per share)		(0.6)	(1.2)

(The accompanying notes form part of these financial statements)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 DEC 2010 $	30 JUN 2010 $
CURRENT ASSETS			
Cash and cash equivalents	3	1,276,605	238,576
Trade and other receivables	4	390,510	275,750
Inventory	5	15,635	-
TOTAL CURRENT ASSETS		1,682,750	514,326
NON-CURRENT ASSETS			
Financial assets	6	149,400	145,000
Property, plant and equipment	7	3,989,583	4,116,344
Exploration expenditure	8	1,187,739	-
TOTAL NON-CURRENT ASSETS		5,326,722	4,261,344
TOTAL ASSETS		7,009,472	4,775,670
CURRENT LIABILITIES			
Trade and other payables	9	1,590,264	704,392
Provisions		11,112	3,978
TOTAL CURRENT LIABILITIES		1,601,376	708,370
NON-CURRENT LIABILITIES			
Trade and other payables	9	2,258,665	1,019,627
TOTAL NON-CURRENT LIABILITIES		2,258,665	1,019,627
TOTAL LIABILITIES		3,860,041	1,727,997
NET ASSETS		3,149,431	3,047,673
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	10	16,150,050	13,023,900
Reserves		1,358,039	1,933,142
Accumulated losses		(14,358,658)	(11,909,369)
TOTAL EQUITY		3,149,431	3,047,673

(The accompanying notes form part of these financial statements)

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

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2009	9,549,967	1,290,594	(6,463,821)	4,376,740
Comprehensive income for the period				
Loss for the period	-	-	(2,502,386)	(2,502,386)
Other comprehensive income				
Net change in fair value of available for sale assets	-	(6,377)	-	(6,377)
Net change in fair value of financial liability	-	79,294	-	79,294
Exchange differences on translating foreign controlled entities	-	(13,043)	-	(13,043)
Transaction with owners in their capacity as owners				
Issue of share capital	2,892,000	-	-	2,892,000
Balance at 31 December 2009	12,441,967	1,350,468	(8,966,207)	4,826,228
Balance at 1 July 2010	13,023,900	1,933,142	(11,909,369)	3,047,673
Comprehensive income for the period				
Loss for the period	-	-	(2,449,289)	(2,449,289)
Other comprehensive income				
Net change in fair value of financial liability	-	126,417	-	126,417
Exchange differences on translating foreign controlled entities	-	(701,520)	-	(701,520)
Transaction with owners in their capacity as owners				
Issue of share capital	3,185,000	-	-	3,185,000
Share issue expense	(58,850)	-	-	(58,850)
Balance at 31 December 2010	16,150,050	1,358,039	(14,358,658)	3,149,431

(The accompanying notes form part of these financial statements)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 DEC 2010 $	31 DEC 2009 $
Cash flows from Operating Activities		
Receipts from customers	568,867	7,000
Interest received	30,936	15,121
Payments to suppliers and employees	(1,745,233)	(1,257,077)
Net Cash used in Operating Activities	(1,145,430)	(1,234,956)
Cash flows from Investing Activities		
Sales distribution fee	1,000,000	-
Payment for subsidiary	(1,183,990)	-
Exploration expenditure	(3,749)	(1,051,031)
Proceeds from sale of plant & equipment	58,561	-
Payment for plant & equipment	(813,513)	(416,232)
Net Cash used in Investing Activities	(942,691)	(1,467,263)
Cash flows from Financing Activities		
Proceeds from share and option issues	3,126,150	2,892,000
Net Cash provided by Financing Activities	3,126,150	2,892,000
Net increase (decrease) in cash held	1,038,029	189,791
Cash and cash equivalents at beginning of the period	238,576	766,793
Cash and cash equivalents at end of the period	**1,276,605**	**956,574**

(The accompanying notes form part of these financial statements)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

The half-year consolidated financial statements of Gulf Industrials Ltd are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting and other Australian Accounting Standards which ensure compliance with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Gulf Industrials Limited and its controlled entities (the group).

It is recommended that this financial report be read in conjunction with the annual financial report of the group for the year ended 30 June 2010 and any public announcements made during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2010 financial report. The accounting policy for inventories has been adopted in this accounting period as it is the first time the company has had finished goods at balance date. The accounting policy is as follows:

- Inventories including raw materials, work in progress, consumables and finished goods are measured at the lower of cost and net realisable value.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New and Amending Accounting Standards and Interpretations

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group in the consolidated financial statements for the year ended 30 June 2010 except for the adoption of the following new and revised Accounting Standards.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 117, 118, 136 & 139) effective 1 January 2010. The amendments did not have an impact on the financial position or performance of the Group.

- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settle Share-based Payment Transactions [AASB 2]

- AASB 2009-8 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]

- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 12B, AASB 131, AASB 132 & AASB 139]

- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.

Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The consolidated group had cash assets of $1,276,605 at 31 December 2010. The directors acknowledge that continued exploration and development of the consolidated group's mineral exploration projects will necessitate further capital raisings.

The company remains dependent on its ability to raise funding in volatile capital markets. However, the directors continue to believe that the going concern basis of accounting by the parent entity and consolidated group is appropriate for the following reasons:

- The company and consolidated group have successfully completed capital raisings during the half year to 31 December 2010, notwithstanding the challenging conditions in equity markets.
- The company raising $1,384,000 before expenses since 31 December 2010 from share issues.

In consideration of the above matters, the directors have determined that it is reasonably foreseeable that the company and consolidated group will continue as going concerns and that it is appropriate that the going concern method of accounting be adopted in the preparation of the financial statements. In the event that the consolidated group is unable to continue as a going concern (due to inability to raise future funding requirements), it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

Accordingly, the financial statements do not include adjustments relating to the recoverability and classification of assets or to the amounts and classification of liabilities that might be necessary if the company and consolidated group do not continue as going concerns.

2. Loss Before Income Tax has been Determined After:	31 DEC 2010 $	31 DEC 2009 $
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
(a) Revenue and other income		
Sales to external customers	689,082	-
Interest from other persons	30,936	15,121
Rental income	36,000	-
Other	30,825	7,000
	786,843	22,121
(b) Charging as expense:		
Depreciation	212,743	225,186
Exploration expenditure written off	145,682	1,051,031
Minimum lease payments	93,060	88,406

	31 DEC 2010 $	30 JUN 2010 $
3. Cash and Cash Equivalents		
Cash at bank and in hand	1,276,605	238,576
Reconciliation of cash	1,276,605	238,576

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as above.

	31 DEC 2010 $	30 JUN 2010 $
4. Trade and Other Receivables		
Trade receivables	182,640	-
Other receivables	207,870	275,750
	390,510	275,750
5. Inventory		
Finished goods – net realisable value	15,635	-
	15,635	-
6. Financial Assets		
Available for sale financial assets comprise:		
Unlisted investments at cost		
- Shares in unlisted corporations	145,000	145,000
Listed investments at cost		
- Shares in listed corporations	4,400	-
Total available for sale financial assets	149,400	145,000

The fair value of unlisted available for sale financial assets cannot be reliably measured, and are therefore measured at cost. Available for sale financial assets comprise investments in the ordinary capital of the entity. There are no fixed returns or fixed maturity dates attached to these investments.

	31 DEC 2010 $	30 JUN 2010 $
7. Property, Plant and Equipment		
Plant and equipment	1,455,922	879,932
Less accumulated depreciation	(231,289)	(175,326)
	1,224,633	704,606
Leasehold improvements	3,566,493	4,211,765
Less accumulated amortisation	(838,110)	(869,277)
	2,728,383	3,342,488
Motor Vehicles	52,187	115,707
Less accumulated depreciation	(15,620)	(46,457)
	36,567	69,250
Total property, plant & equipment	3,989,583	4,116,344
8. Exploration Expenditure		
Opening balance	-	-
Expenditure for the period	3,749	-
Fair value on acquisition (refer note 12)	1,183,990	-
Closing balance	1,187,739	-

	31 DEC 2010 $	30 JUN 2010 $
9. Trade and Other Payables		
Current		
Trade and other payables	1,590,264	704,392
	1,590,264	704,392
Non-Current		
Trade creditors (i)	420,000	-
Deferred revenue (ii)	945,455	-
Deferred settlement proceeds (iii)	893,210	1,019,627
	2,258,665	1,019,627

(i) This amount represents the amount outstanding for the purchase of the company that holds the limestone deposit in Madagascar. This amount is payable when the first commercial shipment of limestone from the project has occurred.

(ii) This amount represents the balance of the US$1,000,000 fee received in respect of the Dupre Minerals Ltd distribution agreement being recognised over the 25 year term of the agreement.

(iii) This amount represents the US$1,000,000 payable to Rio Tinto Ltd for the purchase of East African Vermiculite Ltd which is due to be paid on 31 March 2012. This amount has been discounted at the rate of 8% per annum. If the group completes an external fund raising of US$5,000,000 before this date the amount becomes payable on the successful completion of this fund raising.

	31 DEC 2010 $	30 JUN 2010 $
10. Issued Capital		
Ordinary shares (issued and fully paid) 378,604,729 (30 June 2010: 222,104,729)	16,150,050	13,023,900

	31 DEC 2010 No. of Shares	31 DEC 2010 $	30 JUN 2010 No. of Shares	30 JUN 2010 $
Movements in issued shares for the half year:				
Beginning of the financial period	222,104,729	13,023,900	89,474,729	9,549,967
04/08/09 issue at 3 cents	-	-	35,000,000	1,050,000
12/10/09 issue at 3 cents	-	-	1,400,000	42,000
1/11/09 issue at 3 cents	-	-	60,000,000	1,800,000
16/4/10 issue at 2.1 cents	-	-	27,000,000	567,000
31/5/10 issue at 2.1 cents	-	-	880,000	18,480
29/6/10 issue at 2 cents	-	-	8,350,000	167,000
21/7/10 issue at 2.1 cents	55,000,000	1,155,000	-	-
27/7/10 issue at 2 cents	41,500,000	830,000	-	-
31/12/10 issue at 2 cents	60,000,000	1,200,000	-	-
Less share issue expenses	-	(58,850)	-	(170,547)
	378,604,729	16,150,050	222,104,729	13,023,900

11. Operating Segments

The consolidated entity operates in two business segments being industrial minerals development and mineral exploration, in two geographical locations, being Australia and Africa.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the Company is managed and provides a meaningful insight into the business activities of the Company.

The following tables present details of revenue and operating profit by business segment. The information disclosed in the tables below is derived directly from the internal financial reporting system used by corporate management to monitor and evaluate the performance of our operating segments separately.

(a)

2010 For the half year ended 31 December 2010	Industrials Minerals Development $	Mineral Exploration $	Unallocated $	Total Consolidated Group $
Revenue from external customers	689,082	-	-	689,082
Interest & other	21,233	-	76,528	97,761
Total segment revenue	710,315	-	76,528	786,843
Reportable segment profit/(loss) before income tax	(1,147,347)	(225,682)	(1,076,260)	(2,449,289)
Reportable Segment Assets as at 31 December 2010	5,146,965	1,206,232	656,275	7,009,472

2009 For the half year ended 31 December 2009	Industrials Minerals Development $	Mineral Exploration $	Unallocated $	Consolidated Group $
Revenue from external customers	-	-	7,000	7,000
Interest & other	-	-	15,121	15,121
Total segment revenue	-	-	22,121	22,121
Reportable segment profit/(loss) before income tax	(697,170)	(353,861)	(1,451,355)	(2,502,386)
Reportable Segment Assets as at 31 December 2009	4,639,687	-	1,402,994	6,042,681

(b) Reconcile reportable segment assets

	Industrials Minerals Development $	Mineral Exploration $	Unallocated $	Consolidated Group $
Opening balance 1 July 2010	4,069,689	-	705,981	4,775,670
Additions	1,077,276	1,206,232	-	2,283,508
Disposals	-	-	(49,706)	(49,706)
Closing balance 31 December 2010	5,146,965	1,206,232	656,275	7,009,472

(c) Assets by geographical region

As at:	**31 December 2010** **$**	**31 December 2009** **$**
Australia	656,275	1,402,994
Africa	6,353,197	4,639,687
Total Assets	7,009,472	6,042,681

(d) The company sold its finished goods to one customer during the period under review.

12. Business Combination

Acquisition of Soalara Calcaire SARL

On 18 August 2010, the Company acquired 100% of Soalara Calcaire SARL, a company holding the limestone deposit in Madagascar.

Consideration for the acquisition was US$1,070,000 of which US$520,000 was still outstanding at 31 December 2010. US$100,000 was paid in January 2011 with the balance of US$420,000 payable on the first commercial shipment of limestone together with a royalty averaging US$0.56 per tonne (refer note 9).

	Acquiree's Carrying Amount $	Fair Value $
Purchase consideration:		
Cash		1,183,990
Less:		
Exploration expenditure	-	1,183,990
Identifiable assets acquired and liabilities assumed	-	1,183,990
Purchase consideration settled in cash		1,183,990
Cash outflow on acquisition		1,183,990

From the date of acquisition Soalara Calcaire SARL achieved a net loss of $nil after tax which has been included in the consolidated group's statement of comprehensive income for period ended 31 December 2010. The fair value on business combination of $1,183,990 has been recognised in the Statement of Financial Position as exploration expenditure.

13. Contingent Liabilities

There are no known contingent liabilities. There have been no changes in contingent liabilities or contingent assets since the last annual reporting date.

14. Events Subsequent to Reporting Date

There are no known events subsequent to balance date that would have a material effect on these financial statements other than:

- the issue of 25,000,000 shares at $0.02 to raise $500,000.
- the issue of 26,000,000 shares at $0.034 to raise $884,000.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes as set out on pages 3 to 12 are in accordance with The Corporations Act 2001, including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and other Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) giving a true and fair view of the economic entity's financial position as at 31 December 2010 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.

Wayne Kernaghan
Director

Sydney
16 March 2011

A D Danieli Audit Pty Ltd
Authorised Audit Company
ASIC Registered Number 339233

Audit & Assurance Services

Level 14, 275 George Street
Sydney NSW 2000
PO Box H88
Australia Square NSW 1215

ABN: 56 136 616 610

Ph: (02) 9290 3099
Fax: (02) 9262 2502

Email: add3@addca.com.au
Website: www.addca.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GULF INDUSTRIALS LIMITED ABN 13 115 027 033 AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of Gulf Industrials Limited and controlled entities (the consolidated entity) which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The Directors of Gulf Industrials Limited (the company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing 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 2010 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Gulf Industrials Limited and controlled entities, 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 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2010 included on the website of Gulf Industrials Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

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, provided to the directors of Gulf Industrials Limited and controlled entities on 11 March 2011, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusions

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 Gulf Industrials Limited and controlled entities 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 of its performance for the half-year ended on that date; and
- complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Regarding Continuing as a Going Concern

We draw attention to Note 1: Going Concern in the financial statements. The group incurred a net loss of $2,449,289 during the half year ended 31 December 2010 and, as of that date the group had current assets of $1,682,750 and current liabilities of $1,601,376. These conditions indicate the existence of a material uncertainty which may cast doubt on the group's ability to continue as a going concern should they be unable to raise additional capital. Note 14: Events Subsequent To Reporting Date states capital raisings occurred totalling $1,384,000.

A D Danieli Audit Pty Ltd

Sam Danieli
Director

Sydney, 16 March 2011