



Tango Petroleum Limited

ABN 68 116 829 675

Interim Financial Report

30 September 2011

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DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half-year ended 30 September 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Mathew Walker	Executive Chairman
Garry Ralston	Non-Executive Director
Tim Johnston	Non-Executive Director

Operating results

The loss of the Company for the half-year after income tax was \$1,846,872 (30 September 2010 loss: \$730,253).

Review of Operations

On 23 May 2011, the Company announced that it has signed a Participation Agreement to acquire a 17.25% working interest in the Lyons Point Prospect, operated by Clayton Williams Energy Inc (NASDAQ: CWEI) in Acadia Parish, Louisiana.

The Lyons Point Prospect was planned to be drilled to a total depth of 16,300 feet. The prospect has a closure of circa 400 acres with a most likely resource potential of 3 MMBC (Million Barrels Condensate) and 60 BCFG (Billion Cubic Feet Gas) with upside potential of 4 MMBC and 80 BCFG.

The Lyons Point Prospect is a seismically defined, upthrown fault bounded structural closure. The objective section is provided by the prolific Oligocene Marginulina Texana (MT) 1, 2, and 3 Sands, which are projected to be together 700 feet thick. The MT sands are productive in several fields in the immediate surrounding area and include the nearby Leleux Field, which has cumulative production of 5 MMBC and 300 BCFG from the MT interval.

The Company also announced an entitlement issue of one option for every one share held at the record date, at an issue price of 0.5 cents. The options were a new series of quoted options exercisable at 6 cents each on or before 30 June 2012. The entitlement issue ultimately raised \$325,000 before costs.

The Company also announced a placement of 34,000,000 new shares at a price of 3.5 cents per share. Each share subscribed for had a free attaching Company option on the same terms as the entitlement options, that is, an exercise price of 6 cents on or before 30 June 2012. The placement raised \$1,190,000 before costs.

Since the end of the period the operator of the Lyons Point Prospect advised that following the completion of drilling and logging operations, the prospect was not commercial and the partners decided to plug and abandon the well. As a result of this exploration expenditure totalling \$1,523,601 was written off at the end of the half year.

Capital Structure

The Company currently has 120,000,000 shares and 99,000,000 options on issue.

DIRECTORS' REPORT (continued)

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 30 September 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Mathew Walker

Chairman

Dated this 5th day of December 2011



Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Tango Petroleum Limited for the half-year ended 30 September 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Tango Petroleum Limited.

A handwritten signature in blue ink, appearing to read 'Norman G. Neill'.

Perth, Western Australia
5 December 2011

N G NEILL
Partner, HLB Mann Judd

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011**

	Notes	30 Sept 2011 \$	30 Sept 2010 \$
Revenue		-	-
Other income		2,754	32,669
		<u>2,754</u>	<u>32,669</u>
Administrative expenses		(203,388)	(277,239)
Directors' fees		(121,042)	(135,567)
Finance costs		(747)	(547)
Foreign exchange losses		-	(341,771)
Exploration expenditure written off		(1,523,601)	-
Other expenses		(848)	(7,798)
Loss before income tax expense	2	(1,846,872)	(730,253)
Income tax expense		-	-
Loss after tax from continuing operations		(1,846,872)	(730,253)
Loss after tax from discontinued operations		-	-
Net loss for the period		(1,846,872)	(730,253)
Other comprehensive income		-	-
Total comprehensive (loss) for the period		(1,846,872)	(730,253)
Basic (loss) per share from continuing operations (cents per share)		(1.83)	(0.94)

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

	Note	30 Sept 2011 \$	31 Mar 2011 \$
Assets			
Current Assets			
Cash and cash equivalents		-	340,787
Other current assets		27,297	30,190
Total Current Assets		27,297	370,977
Non-Current Assets			
Deferred exploration and evaluation expenditure	3	8,829	4,942
Total Non-Current Assets		8,829	4,942
Total Assets		36,126	375,919
Liabilities			
Current Liabilities			
Trade and other payables	6	105,027	21,187
Total Current Liabilities		105,027	21,187
Non-Current Liabilities			
		-	-
Total Liabilities		105,027	21,187
Net Assets/(Liabilities)		(68,901)	354,732
Equity			
Issued capital	4	23,794,478	22,696,239
Reserves		(382,645)	(707,645)
Accumulated losses		(23,480,734)	(21,633,862)
Total Equity/(Net Deficiency)		(68,901)	354,732

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011**

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Capital Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 April 2010	21,104,764	(17,586,529)	-	(1,082,645)	-	2,435,590
Loss for the period	-	(730,253)	-	-	-	(730,253)
Options issued during the half-year	-	-	-	-	375,000	375,000
Shares issued during the half-year	1,000,000	-	-	-	-	1,000,000
Transaction costs on share issue	(78,575)	-	-	-	-	(78,575)
Balance at 30 September 2010	22,026,189	(18,316,782)	-	(1,082,645)	375,000	3,001,762
Balance at 1 April 2011	22,696,239	(21,633,862)	-	(1,082,645)	375,000	354,732
Loss for the period	-	(1,846,872)	-	-	-	(1,846,872)
Options issued during the half-year	-	-	-	-	325,000	325,000
Shares issued during the half-year	1,190,000	-	-	-	-	1,190,000
Transaction costs on share issue	(91,761)	-	-	-	-	(91,761)
Balance at 30 September 2011	23,794,478	(23,480,734)	-	(1,082,645)	700,000	(68,901)

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011**

	Note	30 Sept 2011 \$	30 Sept 2010 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(294,886)	(462,552)
Interest received		2,702	32,063
Net cash (used) in operating activities		(292,184)	(430,489)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,472,983)	(4,558)
Net cash (used in)/provided by investing activities		(1,472,983)	(4,558)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,515,000	1,375,000
Transaction costs on issue of shares		(91,761)	(78,575)
Net cash provided by financing activities		1,423,239	1,296,425
Net (decrease) / increase in cash held		(341,928)	861,378
Net foreign exchange differences		-	(341,771)
Cash and cash equivalents at the beginning of the period		340,787	2,250,452
Cash and cash equivalents at the end of the period	6	(1,141)	2,770,059

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed 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 group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 March 2011 and any public announcements made by Tango Petroleum Limited during the half-year in accordance with continuous disclosure requirements arising under 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, except as set out below.

Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Company's accounting policies and the key estimates of uncertainty were the same as those applied for the year ended 31 March 2011.

Going concern

Notwithstanding the net deficiency of working capital and net assets, the financial report has been prepared on a going concern basis which assumes the realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

The Directors are of the opinion that the Company is a going concern and as announced to the ASX on 16 November 2011 recognise that additional funding is required to ensure that it can continue to fund its operations and consider further new exploration projects to invest in during the twelve month period from the date of this half year report. Details of this additional funding, including the size, nature and pricing are being finalised by the Company and will be announced to the market in due course.

On 13 September 2011 loan agreements between the Company and two Directors were signed which subsequent to half year end provided the Company with \$90,000 working capital cash inflow to meet its immediate creditors.

Should Tango be unable to obtain additional funding as outlined above, there is a material uncertainty that may cast significant doubt whether it will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts nor to the amounts and classification of liabilities that might be necessary should it not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised Accounting Standards

In the half-year ended 30 September 2011, the Company 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 2009.

During the current period, certain accounting policies have changed as a result of new or revised standards. The impacts of these changes are outlined below under the heading segment reporting.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 September 2011. 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 Company accounting policies.

Segment Reporting

The Company has applied AASB 8 *Operating Segments* from 1 April 2011. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Tango Petroleum Limited.

Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Company assesses at each balance date whether a financial asset or group of financial assets is impaired.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	30 September 2011 \$	30 September 2010 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Interest income	2,702	32,063
Other income	52	606
Accounting and audit fees	19,049	40,268
ASX and share registry fees	34,081	113,129
Company secretarial	12,500	22,500
Insurance	9,712	2,672
Legal Costs	300	45,201
Rent	46,000	35,000
Travelling	75,174	18,468

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	30 September 2011 \$	30 March 2011 \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	4,942	217,272
Acquisition costs	282,488	-
Exploration expenditure	1,245,000	2,856,910
Write off of exploration expenditure	(1,523,601)	(3,069,240)
Total deferred exploration and evaluation expenditure	8,829	4,942

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011**
NOTE 4: ISSUED CAPITAL

	30 September 2011 \$	30 March 2011 \$
<i>Ordinary shares - Issued and fully paid</i>		
Opening balance	22,696,239	21,104,764
Shares issued during the period	1,190,000	1,720,000
Transaction costs	(91,761)	(128,525)
Closing balance	23,794,478	22,696,239
<i>Movements in ordinary shares on issue</i>		
	No.	No.
Opening balance	86,000,000	75,000,000
Shares issued during the period	34,000,000	11,000,000
Closing balance	120,000,000	86,000,000

NOTE 5: OPTION RESERVE

	\$	\$
<i>Movements in option reserve</i>		
At 1 April 2011	375,000	-
Movements during the period	325,000	375,000
At 30 September 2011	700,000	375,000

NOTE 6: TRADE AND OTHER PAYABLES

	\$	\$
Trade payables	88,886	6,222
Accrued expenses	15,000	14,965
Bank overdraft	1,141	-
	105,027	21,187

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011

NOTE 7: SEGMENT REPORTING

Segment information is presented in the interim financial statements utilising the "Management Approach". The Company currently conducts its exploration activities in a two distinct locations, namely America and Australia.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets, interest income, corporate assets and corporate expenses.

In March 2011, the Company advised that Caza Oil & Gas, Inc. (Operator) has announced that the Marian Baker #1 well on the Amazon prospect in Acadia Parish, Louisiana, was drilled to a total vertical depth of 15,462 feet on 20 March 2011. Caza and the project partners have analysed the data collected from logging and surveying of the well, and although several sand sections exist throughout the wellbore, the log data indicates that the targeted Middle Frio section between 12,500-15,462 feet has extremely low porosity and permeability. The shallower sands in the Upper Frio sections between 9,600-12,200 feet, which produce in the immediate area from the Midland Field, appear to be wet at this location. However, based on this log data, Caza advises that it has reason to evaluate these shallower sands for additional potential across its current acreage block. After determining that none of the sands are likely to be productive at commercial rates, Caza has sought approval from its partners in the well to proceed with plug and abandonment procedures.

In May 2011, the Company announced that it has signed a Participation Agreement to acquire a 17.25% working interest in the Lyons Point Prospect, operated by Clayton Williams Energy Inc (NASDAQ: CWEI) in Acadia Parish, Louisiana. The Lyons Point Prospect was planned to be drilled to a total depth of 16,300 feet. The prospect has a closure of circa 400 acres with a most likely resource potential of 3 MMBC (Million Barrels Condensate) and 60 BCFG (Billion Cubic Feet Gas) with upside potential of 4 MMBC and 80 BCFG. The Lyons Point Prospect is a seismically defined, upthrown fault bounded structural closure. The objective section is provided by the prolific Oligocene Marginulina Texana (MT) 1, 2, and 3 Sands, which are projected to be together 700 feet thick. The MT sands are productive in several fields in the immediate surrounding area and include the nearby Leleux Field, which has cumulative production of 5 MMBC and 300 BCFG from the MT interval.

Since the end of the period the operator of the Lyons Point Prospect advised that following the completion of drilling and logging operations, the prospect was not commercial and the partners decided to plug and abandon the well.

The following table presents expenditure and asset information regarding geographical segments for the half years ended 30 September 2011 and 30 September 2010.

Geographical segments

	Exploration - Activities America \$	Exploration - Activities Australia \$	Unallocated \$	Total \$
30 September 2011				
Segment revenue	-	-	2,754	2,754
Segment expenses	(1,523,601)	-	(326,025)	(1,849,626)
Segment result	(1,523,601)	-	(323,271)	(1,846,872)
Unallocated revenues and expenses				323,271
Results from operating activities				(1,523,601)
 Segment assets	 8,829	 -	 27,297	 36,126
Segment liabilities	(54,505)	-	(50,522)	(105,027)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2011

NOTE 7: SEGMENT REPORTING (continued)

	Medical Technology - Activities US \$	Medical Technology- Activities Sth Africa \$	Medical Technology - Activities Australasia \$	Total \$
30 September 2010				
Segment revenue	-	-	32,669	32,669
Segment expenses	-	(413,353)	(349,569)	(762,922)
Segment result	-	(413,353)	(316,900)	(730,253)
Unallocated revenues and expenses				316,900
Results from operating activities				(413,353)
Segment assets	2,807,012	214,134	-	3,021,146
Segment liabilities	-	(19,384)	-	(19,384)

NOTE 8: DIVIDENDS

The Directors of the Company have not declared an interim dividend.

NOTE 9: CONTINGENT LIABILITIES

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

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to period end the directors, Garry Ralston and Matthew Walker provided loans of \$20,000 and \$70,000 respectively to the Company.

Since the end of the period the operator of the Lyons Point Prospect advised that following the completion of drilling and logging operations, the prospect was not commercial and the partners decided to plug and abandon the well. As a result of this, exploration expenditure totalling \$1,523,601 was written off at the end of the half year.

DIRECTORS' DECLARATION

In the opinion of the Directors of Tango Petroleum Limited ('the Company'):

1. The financial statements and notes thereto, as set out on pages 5 to 14, are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. giving a true and fair view of the Company's financial position as at 30 September 2011 and of its performance for the half-year then ended.
2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



Mathew Walker
Director
5 December 2011



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tango Petroleum Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tango Petroleum Limited ("the Company") which comprises the condensed statement of financial position as at 30 September 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 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 Tango Petroleum 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.



Accountants | Business and Financial Advisers

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tango Petroleum 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 September 2011 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*.

Continuation as a Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates that the ability of the Company to continue as a going concern is dependent upon raising additional finance. If the Company is unable to raise additional finance, there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.



HLB MANN JUDD
Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
5 December 2011