Predictive Discovery Limited

Interim Consolidated Financial Report

For the Six Months Ended 31 December 2010

PREDICTIVE DISCOVERY LIMITED

FOR THE PERIOD ENDED 31 DECEMBER 2010

Predictive Discovery Limited

Directors' Report

31 December 2010

Your directors present their report, together with the interim financial statements of The Group, being the company and its controlled entities, for the half year ended 31 December 2010.

Directors

The names of the directors in office at any time during, or since the end of, the period are:

Names	Position
Phillip Harman	Non-executive Chairman
Paul Roberts	Managing Director
Thomas Whiting	Non-executive Director
Robert Danchin	Non-executive Director
Philip Henty	Non-executive Director

Review of operations

In the six months to December 2010, Predictive Discovery Limited (**ASX code: PDI**) completed two capital raisings including a highly successful IPO and commenced operations as an ASX listed company. A total of $9.05 million was raised through a placement to private investors of $1.05 million and the Company's IPO which raised $8 million. PDI's focus was in Burkina Faso although reconnaissance exploration was also carried out on the Company's two Australian projects.

In Burkina Faso, at the end of December 2010, PDI held interests in nine exploration permits covering a total area of 1,544 km^2. Of these, four permits are subject to a joint venture agreement with ElDore Mining Corporation Limited (**ElDore**) signed in January 2010. Three permits are subject to option agreements (earning 95%) with local Burkina Faso permit owners which were signed in July 2010. The two remaining permits are wholly owned by PDI and were granted to the Company in late 2010. Seven of these permits are located within the Samira Hill greenstone belt, covering a strike length of more than 80 km, and are collectively known as the Bonsiega project.

PDI is earning a 60% interest in the four ElDore Joint Venture permits (Fouli, Tantiabongou, Sirba and Madyabari) by spending $2 million before 30th June 2012. Under its agreement with ElDore, PDI was required to have spent more than $600,000 by 30th November, 2010 in order to be entitled to proceed with the earn-in. Achievement of this milestone was advised to ElDore in December 2010. The Fouli prospect (within the Fouli permit) was the major focus of ground exploration activities in the ElDore Joint Venture in the half year to December 2010. Work there included power auger geochemical drilling, reverse circulation (**RC**) drilling and geological mapping. 321 power auger holes totalling 2,099 metres were completed at Fouli and indicated potential extensions to the known mineralisation both to the east and west. 602 metres of RC were also completed at Fouli by the end of December; assay results reported in January 2011 contained ore grade and width intercepts including 14m at 1.9 g/t Au. Elsewhere, on the Sirba permit, power auger sampling also commenced on the Laterite Hill grid; by month's end, 210 holes had been drilled there, totalling 1,122 metres.

PDI also carried out three airborne magnetic and radiometric surveys In Burkina Faso in October, one over parts of the four eastern permits in the Bonsiega Project (Fouli, Tantiabongou, Tangagari and Aoura), a second covering PDI's 100% owned Tamfoagou permit and a third over PDI's 100% owned Tyekanyebi permit. A total of 6,709 line kilometres was flown .

In Australia, work consisted of geological mapping and gravity surveys on the Benmara and Skipton projects. At Benmara, PDI may earn 51% by expenditure of $2 million in a joint venture with Lagoon Creek Resources Pty Ltd, the owner of the Westmoreland uranium deposit in Queensland. Skipton is a wholly owned Exploration Licence. Reconnaissance geological mapping and a 782 station gravity survey was carried out at Benmara. Work at Skipton was confined to a small magneto-telluric survey.

PDI paid its first annual license fee of $100,000 for use of the Predictore™ fluid flow modelling technology in late October 2010. Application of the technology commenced with model validation studies on the Fouli prospect in December.

REVIEW OF OPERATIONS (CONTINUED)

During the six months to December 2010, the Company's technical team continued with project generation, focusing in West Africa. Execution of the three option agreements with local Burkina Faso permit owners mentioned above was a direct consequence of this work.

EVENTS AFTER THE REPORTING PERIOD

On 3 February 2011, the Company entered into foreign currency transactions to take advantage of historically favourable foreign exchange rates to hedge forecast foreign currency expenditure on exploration through to June 2012. USD 1,000,000 and Euro 750,000 in foreign currency were purchased. The Company has also entered into vanilla put options that gives the Company the right, but not the obligation, to acquire USD $1,002,691 at a strike price of AUD1 = USD 0.9500 and Euro 945,890 at a strike price of AUD1 = Euro 0.7362 during the period October 2011 to June 2012. A premium totalling A$173,000 has been paid for these vanilla put options.

On 28 February 2011, the Group allotted 40,000 shares to employees.

On 1 March 2011, the Group announced that it had entered into an agreement with a Burkino Faso based company, SOMIKA, for the staged purchase of a property in the Sebba Belt in eastern Burkina Faso. 436,681 shares were issued on 7 March 2011 in part consideration.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2010 has been received and can be found on page 3 of the financial report.

This Directors Report is signed in accordance with a resolution of the Board of Directors.

Paul Roberts
Director

Dated 16 March 2011

nexia
chartered accountants
asr

Incorporating the firms of
Alexander & Spencer
and Rosenbergs

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PREDICTIVE DISCOVERY 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.

Nexia ASR
ABN 16 847 721 257

GEORGE DAKIS
Partner
Audit & Assurance Services

Melbourne

16 March 2011

PREDICTIVE DISCOVERY LIMITED

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Half year ended	
	31 December 2010	**31 December 2009**
	$	**$**
Other income	26,161	2,099
Administrative expense	(532,120)	(89,977)
Pre-exploration costs	(45,439)	-
Employee option expense	(230,532)	-
Loss before income taxes	(781,930)	(87,878)
Income tax expense	-	-
Loss for the year	(781,930)	(87,878)
Other comprehensive income		
Loss of exchange rate movement	(23,598)	-
Total comprehensive income	(805,528)	(87,878)
Earnings per share		
Basic earnings per share (cents)	(0.75)	(0.09)
Diluted earnings per share (cents)	(0.75)	(0.09)

PREDICTIVE DISCOVERY LIMITED

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2010

	Note	31 December 2010 $	30 June 2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		7,882,938	1,174,944
Trade and other receivables		85,275	23,814
Other assets		134,161	-
TOTAL CURRENT ASSETS		8,102,374	1,198,758
NON-CURRENT ASSETS			
Property, plant and equipment		151,276	7,593
Exploration expenditure	2	1,467,405	598,939
TOTAL NON-CURRENT ASSETS		1,618,681	606,532
TOTAL ASSETS		9,721,055	1,805,290
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		249,006	110,869
Provisions		17,942	12,824
TOTAL CURRENT LIABILITIES		266,948	123,693
TOTAL LIABILITIES		266,948	123,693
NET ASSETS		9,454,107	1,681,597
EQUITY			
Issued capital	3	10,231,296	1,915,000
Reserves		238,144	-
Accumulated losses		(1,015,333)	(233,403)
TOTAL EQUITY		9,454,107	1,681,597

PREDICTIVE DISCOVERY LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2010

2010

	ORDINARY SHARES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	OPTION RESERVE	TOTAL
	$	$	$	$	$
Balance at 1 July 2010	1,915,000	(233,403)	-	-	1,681,597
Loss attributable to members of the parent entity	-	(781,930)	-	-	(781,930)
Other comprehensive income for the year	-	-	(23,598)	-	(23,598)
Shares issued during the half year	9,058,000	-	-	-	9,058,000
Transaction costs	(741,704)	-	-	-	(741,704)
Options issued during the half year	-	-	-	261,742	261,742
Sub-total	8,316,296	(781,930)	(23,598)	261,742	7,772,510
Balance at 31 December 2010	10,231,296	(1,015,333)	(23,598)	261,742	9,454,107

PREDICTIVE DISCOVERY LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2010

2009	ORDINARY SHARES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	OPTION RESERVE	TOTAL
	$	$	$	$	$
Balance at 1 July 2009	315,000	(50,798)	-	-	264,202
Losses for the period	-	(87,877)	-	-	(87,877)
Issue of shares	500,000	-	-	-	500,000
Sub-total	500,000	(87,877)	-	-	412,123
Balance at 31 December 2009	815,000	(138,675)	-	-	676,325

PREDICTIVE DISCOVERY LIMITED

INTERIM CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Half year ended	
	31 December 2010 $	31 December 2009 $
CASH FROM OPERATING ACTIVITIES:		
GST receipts	4,943	-
Payments to suppliers and employees	(350,745)	(59,182)
Net cash provided by / (used in) operating activities	(345,802)	(59,182)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	26,161	2,100
Purchase of property, plant and equipment	(160,246)	-
Payments for exploration expenditure	(1,032,225)	(59,405)
Net cash used in investing activities	(1,166,310)	(57,305)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	9,050,000	500,000
Payments for costs of raising capital	(829,894)	-
Net cash used by financing activities	8,220,106	500,000
Net increase (decrease) in cash held	6,707,994	383,513
Cash and cash equivalents at beginning of year	1,174,944	262,397
Cash and cash equivalents at end of financial year	7,882,938	645,910

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the entity ended 30 June 2010 and any public announcements made by Predictive Discovery Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in these consolidated interim financial statements as were applied in the most recent annual financial statements.

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

2 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

The following table details the movement in deferred exploration and evaluation expenditure reported in the statement of financial position during the period.

	31 December 2010 $	30 June 2010 $
Carrying amount at beginning of year	598,939	-
Expenditure	868,466	616,756
Disposals	-	(17,817)
	1,467,405	598,939

The recoupment of deferred exploration and evaluation costs carried forward is dependent upon the successful development and commercialisation or sale of the areas of interests being explored and evaluated.

3 ISSUED CAPITAL

	31 December 2010 $	30 June 2010 $
96,580,000 (2010: 92,000,000) Ordinary Shares	10,973,000	1,915,000
Share issue costs written off against share premium	(741,704)	-
	10,231,296	1,915,000

3 ISSUED CAPITAL (CONTINUED)

(A) MOVEMENT IN ORDINARY SHARES

	No.
At the beginning of the reporting period	92,000,000
Consolidation of Shares on a 1 for 2 basis - 12 July 2010	(46,000,000)
Investor share issue - 17 September 2010	10,500,000
Employee share issue - 17 September 2010	80,000
Initial public offer - 25 November 2010	40,000,000
At reporting date	96,580,000

4 OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group 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 Group operates in the mineral exploration sector where it is actively pursuing opportunities for a number of mineral targets through various tenements all of which are currently at exploration stage and require further funding to proceed to revenue generation stages. As such the Group is required to prioritise its funding allocation and does so based on the assessment of the market sentiment and the potential of finding a viable mineral resource. Each exploration licence may be identified as a separate business activity that has revenue earning potential. However, licences of the same mineral exploration targets have been aggregated into the same segment based on similar economic characteristics. Various corporate and investing activities have been allocated to a corporate operating segment of the Group.

The Group does not have any revenue from external customers during the six months ended 31 December 2010 or during comparative periods.

4 OPERATING SEGMENTS (CONTINUED)

SEGMENT PERFORMANCE

	Corporate		Gold Aust		Uranium Aust		Gold Burkina Faso		Other Aust		Other West Africa		Total	
	31 Dec 2010 $	31 Dec 2009 $	31 Dec 2010 $	31 Dec 2009 $	31 Dec 2010 $	31 Dec 2009 $	31 Dec 2010 $	31 Dec 2009 $	31 Dec 2010 $	31 Dec 2009 $	31 Dec 2010 $	31 Dec 2009 $	31 Dec 2010 $	31 Dec 2009 $
SEGMENT INCOME														
Interest revenue	26,161	2,099	-	-	-	-	-	-	-	-	-	-	26,161	2,099
Administration expenses	(762,652)	(89,977)	-	-	-	-	-	-	-	-	-	-	(762,652)	(89,977)
Exploration expenditure	-	-	(22,987)	-	-	-	(22,452)	-	-	-	-	-	(45,439)	-

SEGMENT NET ASSETS

	31 Dec 2010 $	30 June 2010 $	31 Dec 2010 $	30 June 2010 $	31 Dec 2010 $	30 June 2010 $	31 Dec 2010 $	30 June 2010 $	31 Dec 2010 $	30 June 2010 $	31 Dec 2010 $	30 June 2010 $	31 Dec 2010 $	30 June 2010 $
Exploration expenditure	-	-	759,233	64,094	79,073	7,629	629,098	474,148	-	7,434	-	45,634	1,467,404	598,939
Current assets	8,041,990	1,198,758	-	-	-	-	60,383	-	-	-	-	-	8,102,373	1,198,758
Plant and Equipment	1,318	-	-	-	-	-	149,958	7,593	-	-	-	-	151,276	7,593
Current liabilities	(159,100)	(65,238)	-	-	-	-	(107,848)	(58,455)	-	-	-	-	(266,948)	(123,693)

5 SHARE-BASED PAYMENTS

The Group granted 5,100,000 options to its employees and directors on 20 August 2010 pursuant to The Group's Employee Option Plan. On the same date, 900,000 options with the same terms were issued to consultants. Using the Black and Scholes Option valuation methodology, the fair value of the options issued were calculated using the following inputs:

Number of options:	6,000,000	Risk free interest rate:	4.21%
Exercise price:	AUD $0.25	Share price at date of issue:	AUD $0.10
Expected exercise date:	20 August 2015	Expected volatility:	77.60%

Each option was valued at AUD $0.046

A summary of the movements of options issued is as follows:

	Number	Weighted Average Exercised Price $
Options outstanding as at 30 June 2010	-	-
Granted to employees and directors	5,100,000	0.25
Granted to consultants	900,000	0.25
Options outstanding as at 31 December 2010	6,000,000	0.25

The weighted average remaining contractual life of options outstanding at period end was 4.64 years.

Included under employee benefits expense in the interim consolidated statement of comprehensive income is $222,532 (2010: $ -), and relates, in full, to equity-settled share-based payment transactions. Included under administrative expense in the interim consolidated statement of comprehensive income is $39,210 (2010: $ -), and relates, in full, to equity-settled share-based payment transactions.

6 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 February 2011, the Company entered into foreign currency transactions to take advantage of historically favourable foreign exchange rates to hedge forecast foreign currency expenditure on exploration through to June 2012. USD 1,000,000 and Euro 750,000 in foreign currency was purchased. The Company has also entered into vanilla put options that gives the Company the right, but not the obligation, to acquire USD $1,002,691 at a strike price of AUD1 = USD 0.9500 and Euro 945,890 at a strike price of AUD1 = Euro 0.7362 during the period October 2011 to June 2012. A premium totalling A$173,000 has been paid for these vanilla put options.

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Predictive Discovery Limited

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 13, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standard; and

   (b) give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the company and consolidated group;

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.

Paul Roberts

Director

Dated 16 March 2011

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INDPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PREDICTIVE DISCOVERY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Predictive Discovery Limited (the company) which comprises the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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 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 company's financial position as at 31 December 2009 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 Predictive Discovery 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, provided to the directors of Predictive Discovery Limited on 16 March 2011, would be in the same terms if provided to the directors as at the date 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 Predictive Discovery Limited is not in accordance with the Corporations Act 2001 including:

a. giving a true and fair view of the company's financial position as at 31 December 2010 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.

Nexia ASR
ABN 16 847 721 257

GEORGE DAKIS
Partner
Audit & Assurance Services

Melbourne

16 March 2011