

PREDICTIVE DISCOVERY LIMITED

INTERIM FINANCIAL REPORT

A.B.N. 11 127 171 877

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

PREDICTIVE DISCOVERY LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Your directors present their report, together with the condensed financial statements of Predictive Discovery Limited and controlled entities (the Group) for the half year ended 31 December 2011.

DIRECTORS

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

NAMES	POSITION
Mr Phillip Harman	Non-Executive Chairman
Mr Paul Roberts	Managing Director
Dr Thomas Whiting	Non-Executive Director
Dr Robert Danchin	Non-Executive Director
Mr Philip Henty	Non-Executive Director

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

The consolidated loss of the Group for the half year after providing for income tax amounted to \$1,679,634 (31 December 2010 \$ 781,930).

During the half year the Group continued to explore its gold prospects at the Bonsiega Laterite Hill and Bangaba projects in Burkina Faso, encountering numerous broad near-surface gold intercepts over a 2km strike length. The Group earned a 60% holding in Birrimian Pty Limited, a company registered in the British Virgin Islands, holding 4 permits in Burkina Faso, as the results of an agreement with Eldore Mining Corporation Limited in which Predictive Discovery Limited was required to spend \$2 million on exploration.

A total of \$5.2 million was raised in two separate tranches during half year, a placement to Acorn Capital of \$2.6 million and a fully underwritten rights issue to shareholders at \$0.185 per share.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditors independence declaration for the half year ended 31 December 2011 has been received and can be found on page 3 of the financial report.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'P. Harman', with a long horizontal flourish extending to the right.

Phil Harman

Chairman

Dated: 15 March 2012

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 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 period ended 31 December 2011 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



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GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne

15 March 2012

PREDICTIVE DISCOVERY LIMITED

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	31 DECEMBER	31 DECEMBER
	2011	2010
	\$	\$
Other income	130,664	26,161
Employee option expense	(50,253)	(230,532)
Administrative expenses	(765,421)	(532,120)
Pre-exploration costs	(53,823)	(45,439)
Exploration expenditure write off	(668,446)	-
Loss on foreign currency translation	(272,355)	-
Loss before income taxes	(1,679,634)	(781,930)
Income tax expense	-	-
Loss from continuing operations	(1,679,634)	(781,930)
Other comprehensive income		
Loss from exchange rate movement	(124)	(23,598)
Total comprehensive income	(1,679,758)	(805,528)
Profit (loss) attributable to:		
Members of the parent entity	(1,679,758)	(805,528)
Non-controlling interest	-	-
Loss per share		
Basic and diluted loss per share (cents)	(1.52)	(0.75)

These financial statements should be read in conjunction with the accompany notes.

PREDICTIVE DISCOVERY LIMITED

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

		31 DECEMBER	30 JUNE
		2011	2011
	NOTE	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		6,268,476	5,208,418
Trade and other receivables		463,119	325,339
TOTAL CURRENT ASSETS		6,731,595	5,533,757
NON-CURRENT ASSETS			
Property, plant and equipment		420,682	287,593
Exploration and evaluation expenditure	2	6,086,531	3,925,307
TOTAL NON-CURRENT ASSETS		6,507,213	4,212,900
TOTAL ASSETS		13,238,808	9,746,657
CURRENT LIABILITIES			
Trade and other payables		967,966	792,662
Provisions		156,599	81,307
TOTAL CURRENT LIABILITIES		1,124,565	873,969
TOTAL LIABILITIES		1,124,565	873,969
NET ASSETS		12,114,243	8,872,688
EQUITY			
Issued capital	3(a)	15,220,690	10,349,630
Reserves		218,846	168,717
Accumulated losses		(3,325,293)	(1,645,659)
TOTAL EQUITY		12,114,243	8,872,688

These financial statements should be read in conjunction with the accompany notes.

PREDICTIVE DISCOVERY LIMITED

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

31 DECEMBER 2011

	ORDINARY SHARES \$	ACCUMULA TED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	TOTAL \$
Balance at 1 July 2011	10,349,630	(1,645,659)	261,742	(93,025)	8,872,688
Profit attributable to members of the parent entity	-	(1,679,634)	-	-	(1,679,634)
Other comprehensive income for the half year	-	-	-	(124)	(124)
Total comprehensive income for the half year	-	(1,679,634)	-	(124)	(1,679,758)
Shares issued during the year	5,175,214	-	-	-	5,175,214
Transaction costs	(304,154)	-	-	-	(304,154)
Share based payment	-	-	50,253	-	50,253
Sub-total	4,871,060	(1,679,634)	50,253	(124)	3,241,555
Balance at 31 December 2011 30 June 2012	15,220,690	(3,325,293)	311,995	(93,149)	12,114,243

31 DECEMBER 2010

	ORDINARY SHARES \$	ACCUMULA TED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	TOTAL \$
Balance at 1 July 2010 1 July 2011	1,915,000	(233,403)	-	-	1,681,597
Profit attributable to members of the parent entity	-	(781,930)	-	-	(781,930)
Other comprehensive income	-	-	-	(23,598)	(23,598)
Total comprehensive income	-	(781,930)	-	(23,598)	(876,069)
Total other comprehensive income for the year	-	-	-	-	-
Acquisition of treasury shares	9,058,000	-	-	-	9,058,000
Shares issued during the year	-	-	-	-	-
Transaction costs	(741,704)	-	-	-	(741,704)
Share based payment	-	-	261,742	-	261,742
Sub-total	8,316,296	(781,930)	261,742	-	7,772,510
Balance at 31 December 2010 30 June 2011	10,231,296	(1,015,333)	261,742	(23,598)	9,454,107

These financial statements should be read in conjunction with the accompanying notes.

PREDICTIVE DISCOVERY LIMITED

INTERIM CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	31 DECEMBER 2011 \$	31 DECEMBER 2010 \$
CASH FROM OPERATING ACTIVITIES:		
GST Receipts	31,150	4,943
Payments to suppliers and employees	(656,731)	(350,745)
Net cash provided by (used in) operating activities	(625,581)	(345,802)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	130,664	26,161
Purchase of property, plant and equipment	(156,593)	(160,246)
Payment for exploration expenditure	(3,280,241)	(1,032,225)
Net cash provided by (used in) investing activities	(3,306,170)	(1,166,310)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	5,175,214	9,050,000
Payment for costs of raising capital	(304,154)	(829,894)
Net cash provided by (used in) financing activities	4,871,060	8,220,106
OTHER ACTIVITIES:		
Effect of foreign exchange translation	120,749	-
Net cash used by other activities	120,749	-
Net cash increase (decreases) in cash and cash equivalents	1,060,058	6,707,994
Cash and cash equivalents at beginning of the half year	5,208,418	1,174,944
Cash and cash equivalents at end of the half year	6,268,476	7,882,938

These financial statements should be read in conjunction with the accompany notes.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

This consolidated interim financial report for the half year ending 31 December 2011 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Predictive Discovery Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This interim consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this interim financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2011, together with any public announcements made during the half year. The same accounting policies and methods of valuation have been followed in this interim financial report as were applied in the most recent annual financial report.

(B) KEY JUDGEMENT – GOING CONCERN

The interim financial report has been prepared using the going concern basis. The Directors have determined that as with similar companies, future capital raisings will be required in order to continue the exploration and development of the company's mining tenements (some subject to an option payment) to achieve a position where they can prove exploration reserves. The ability of the company to continue as a going concern is dependent upon the company raising additional capital sufficient to meet the company's exploration commitments. Should there be no funding available exploration of the areas of interest may be put on hold. The recoverability of the exploration asset is dependent upon the continued exploration of each area of interest. The Directors have prepared a cash flow forecast for the foreseeable future reflecting this expectation and their effect upon the company. The achievement of the forecast is dependent upon the future capital raising, the outcome of which is uncertain.

2 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

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

	31 DECEMBER	30 JUNE
	2011	2011
	\$	\$
Carrying amount at beginning of year	3,925,307	598,939
Expenditure	2,829,670	3,326,368
Write offs	(668,446)	-
	<u>6,086,531</u>	<u>3,925,307</u>

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

2 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE CONT.

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	30 JUNE
	2011	2011
	\$	\$
125,030,815 (30 June 2011: 97,056,681)		
Ordinary shares	16,268,614	11,093,400
Share issue costs written off against issued capital	(1,047,924)	(743,770)
	<u>15,220,690</u>	<u>10,349,630</u>

(A) ORDINARY SHARES

	31 DECEMBER	31 DECEMBER
	2011	2011
	NO.	\$
At the beginning of the half year	97,056,681	11,093,400
Shares issued during the half year		
Issue of ordinary shares @18.5 cents on 19 August 2011	14,081,821	2,605,137
Issue of ordinary shares @18.5 cents on 23 September 2011	7,855,317	1,453,234
Issue of ordinary shares @18.5 cents on 27 September 2011	6,036,996	1,116,843
At reporting date	<u>125,030,815</u>	<u>16,268,614</u>

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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 accounting policies applied for internal purposes are consistent with those applied in the preparation of these concise financial statements.

	CORPORATE		GOLD AUST		URANIUM AUST		GOLD BURKINA FASO		OTHER WEST AFRICA		TOTAL	
	31 DECEMBER	30 JUNE	31 DECEMBER	30 JUNE	31 DECEMBER	30 JUNE	31 DECEMBER	30 JUNE	31 DECEMBER	30 JUNE	31 DECEMBER	30 JUNE
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE												
Other income	130,664	206,112	-	-	-	-	-	-	-	-	130,664	206,112
Expenses	(951,753)	(1,518,226)	(53,823)	(26,516)	(668,446)	-	(136,276)	(40,628)	-	(32,998)	(1,810,298)	(1,618,368)
Loss for the period	(821,089)	(1,312,114)	(53,823)	(26,516)	(668,446)	-	(136,276)	(40,628)	-	(32,998)	(1,679,634)	(1,412,256)
Current assets	6,563,956	5,734	-	-	-	-	167,640	281,859	-	-	6,731,596	287,593
Non-current assets	7,034	5,468,105	284,191	-	-	-	413,649	65,652	-	-	420,682	5,533,757
Current liabilities	(243,367)	(303,609)	-	-	-	-	(881,198)	(570,360)	-	-	(1,124,565)	(873,969)
Exploration expenditure	-	-	284,191	254,106	-	154,072	5,802,340	3,508,812	-	8,318	6,086,531	3,925,308

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

5 CONTROLLED ENTITIES

(A) CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)*	PERCENTAGE OWNED (%)*
		31 DEC 2011	30 JUNE 2011
Subsidiaries:			
Predictive Discovery SARL	Burkina Faso	100	100
Birriman Pty Limited	British Virgin Islands	60	-
Predictive Discovery Cote d'Ivoire	Cote d'Ivoire	100	-

* Percentage of voting power is in proportion to ownership

(B) ACQUISITIONS OF CONTROLLED ENTITIES

During the half year, 60% of Birrimian Pty Limited was acquired by Predictive Discovery Limited as the result of the Group meeting its commitment to spend \$2.0 million on exploration expenditure on project owned by Birrimian Pty Limited. Predictive Discovery Cote – d'Ivoire, a 100% controlled subsidiary was established in Cote d'Ivoire but did not undertake any activities in the half year.

6 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, the Group did not have any contingencies at 31 December 2011 (30 June 2011: Nil).

7 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Other than intercompany loans and remuneration of Key Management Personnel, there were no other related party transactions during the half year.

8 SHARE-BASED PAYMENTS

At 31 December 2011 the Group has the following share-based payments on issue:

2012		EXERCISE PRICE	START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR
GRANT DATE	EXPIRY DATE							
20 August 2010	20 August 2015	0.25	6,000,000	-	-	-	6,000,000	6,000,000
11 July 2011	11 July 2015	0.31	-	500,000	-	-	500,000	500,000
30 December 2130		0.56	6,000,000	500,000	-	-	6,500,000	6,500,000

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

8 SHARE-BASED PAYMENTS (CONTINUED)

As at the date of exercise, the weighted average share price of options exercised during the half year was \$0.26 (30 June 2011: \$0.25).

The weighted average remaining contractual life of options outstanding at half year end was 3.63 years (30 June 2011: 4.14).

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The fair value of the options granted during the half year was \$ 50,253.00 (31 December 2010: \$ 230,532.00). These values were calculated by using a Black-Scholes option pricing model applying the following inputs:

Dividend yield (%):	-
Exercise price (cents):	31
Life of option (years):	4
Expected share price volatility (%):	77.60
Risk-free interest rate (%):	4.21

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

9 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 February 2012, the Group announced it had increased its equity interest in Birrimian Pty Ltd to 72%.

Except for the above, no other matters or circumstances have arisen since the end of the half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Predictive Discovery Limited

Directors' Declaration

The directors of the company declare that:

1. The concise financial statements and notes, as set out on pages 4 to 12, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standard 134; and
 - (b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the half 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.



Phil Harman

Chairman

Dated: 15 March 2012

INDEPENDENT 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 condensed statement of financial position as at 31 December 2011, the condensed income statement, the condensed statement of comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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 (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 31 December 2011 and 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*.

As the auditor of the company, 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.

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 the company 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 2011 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent uncertainty

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in the section entitled "Key Judgement - Going Concern" in Note 1 (b) to the financial statements for the period ended 31 December 2011, the ability to continue the exploration and development of the company's mining tenements is dependent upon future capital raisings.



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GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne

15 March 2012