GROUP LIMITED

29 February 2012

ASX Announcement & Media Release

MDS Financial Group Limited
ACN 091 744 884

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ASX Code: MWS

Directors

Sean Rothsey
Chairman and Non Executive Director
Wayne Johnson
Deputy Chairman and Executive Director
Damian Isbister
Executive Director and CEO
Richard Symon
Executive Director
Jamie Khoo
Independent Non-Executive Director

Secretary

Tony Iremonger
Company Secretary and CFO

312.3 million listed shares
12.5 million unlisted options

MDS Financial Group Limited 2012 Interim Results

MDS Financial Group Limited (ASX: MWS) today announced an underlying loss after tax of $763,457 for the six months ended 31 December 2011 compared with $203,993 for the December 2010 period. The net loss directly attributed to the Company's operating activities during the reporting period was $346,065.

MDS Financial Group's Chairman, Sean Rothsey, said, "Whilst this result is negative, it is within expectation. During this time the Company purchased a specialist institutional and wholesale stockbroking business, following the recent acquisition of ASX market participant D2MX, which has now been successfully integrated into the group. This integration has consolidated the company's broking businesses which continue to grow, but has increased personnel and compliance costs. The business continues to refine its operations and expand its third-party wholesale and institutional broking services."

The total revenue before adjustment for net fair value loss on financial assets was $4,509,959, an increase of 56% on the previous corresponding period.

This change in focus is reflected in increased gross revenues for the broking segment: from 27.6% to 49.5% of total revenue. Regardless of the change in revenue segmentation, software services remain an important service offering which is being upgraded to include the Iress information services applications and our broking solutions. This improvement in software services combined with the added value broking services will result in reductions in overheads and costs which will be fully implemented by the last quarter of the financial year.

In addition, the Company further enhanced its existing software platform over the past 6 months. These changes have improved the software offering along with enabling substantial reductions in the costs to provide these services to our clients and are due for release shortly. These enhancements will offer an advanced share trading and analysis solution which, the Company believes, will curtail the decline in subscription revenues, reduce fixed IT expenses and improve access to share trading by charting and information clients.

Corporate Advisory generated operating revenue for the period of $568,703 (a 583% increase on the corresponding previous period's $83,240) giving rise to an underlying profit for the period of $163,458 before adjustment to net fair market value loss on other financial investments being option holdings arising in connection with corporate advisory work undertaken in prior financial periods.

It should also be noted that while trade and other receivables have increased during the comparative period by 71%, the trade payables have increased by only 33%. This predominately is derived from the growing broking transactions.

The acquisition of Minc Financial Pty Ltd increased the overheads of the Company. The realisation of synergies and the refinement of the operations will further reduce the operating expenses of the Company in the third quarter, providing a leveraged result to the group's operations.

MDS Financial Group is in the final stages of securing non-dilutive funding from a US based Investment Fund to allow further capital restructuring of the company over the second half of this financial year.

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Mr Rothsey stated, “the Board highlights that past and present cash levels are not necessarily an indication of future trends and advises the market to remain mindful that the financial statements are a result of myriad influences, and in an evolving business are not necessarily the sole guide to the long term health and future development of our business. The Board rests comfortable that our strategy and forecasts bode well for the future and that we are by nature both builders and buyers of businesses.”

ABOUT MDS FINANCIAL GROUP

MDS Financial Group is a full-service corporate advisory and capital markets specialist with clients in Australia and the Asia-Pacific region. Listed on the Australian Securities Exchange (ASX), MDS Financial Group is also an ASX market participant, with institutional and third-party wholesale brokerage facilities underpinned by substantial retail online trading and market data services.

Sean Rothsey
Chairman

END

For more information please contact:

Wayne Johnson	Damian Isbister
Deputy Chairman	Executive Director and CEO
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mdsFinancial GROUP LIMITED
ABN: 90 091 744 884

Appendix 4D

Half Year Report
For The Half Year Ended 31 December 2011
(Previous corresponding period: Half Year Ended 31 December 2010)

This Half Year Report is provided to the
Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Results For Announcement To The Market

Revenue and Net Loss

		Percentage Change %		Amount $
Revenues from ordinary activities	Up	40%	to	4,099,514
Loss from ordinary activities after income tax attributable to members	Up	274%	to	763,457
Net loss attributable to members	Up	274%	to	763,457

Dividends

No dividends have been declared or paid

Brief explanation of revenue, net loss and dividends to enable the above figures to understood.

Please refer to the attached media release for an explanation of the result

Net Tangible Assets per Security

	Current period	Previous corresponding period
Net tangible assets backing per security	-0.087 cents	-0.127 cents

MDS Financial Group Limited

ABN 90 091 744 884

Interim Financial Report
31 December 2011

mds financial
GROUP LIMITED

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Directors' Report

The directors of MDS Financial Group Limited (the "Company") submit herewith the consolidated interim financial report of the Company for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the directors of the Company during or since the end of the interim period are set out below. Directors were in office for the entire period unless otherwise stated.

Mr Sean Peter Rothsey, Non Executive Chairman
Ms Jamie Gee Choo Khoo, Non-Executive Independent Director
Mr Wayne Noel Johnson, Executive Deputy Chairman
Mr Damian Wayne Isbister, Executive Director and Chief Executive Officer –Corporate and Trading
Mr Bruce Richard Sydney Symon, Executive Director and Chief Executive Officer - Operations

Review and results of operations

During the first half of the current financial year, MDS Financial Group has continued to transition and realign its operating businesses as outlined in the Chairman's Report contained in the Company's 2011 Annual Report and as communicated to shareholders at the Company's Annual General Meeting held on 30 November 2011. The Company has continued to expand its third-party wholesale and institutional broking services throughout the half-year. At the same time, significant enhancements are being been made to the software platforms that support the Company's data subscription services which will result in a much improved product offering with a substantial reduction in costs associated with its delivery from the fourth quarter of the current financial year.

The Company's total operating revenue for the half-year ended 31 December 2011, before adjustment for net fair value loss on financial assets, was $4,509,959, an increase of 56% on the previous corresponding period. Nearly half 49.5%) of the Company's gross operating revenue in the period was derived from its broking operation whereas broking segment revenues accounted for only 27.6% of gross operating revenue in the previous corresponding period. Data Subscriptions segment revenue declined by 14.9% to $1,700,201 representing 37.7% of total operating revenue (previously 69.1% of total operating revenue for the corresponding period).

Corporate Advisory generated operating revenue for the period of $568,703 (a 583% increase on the corresponding previous period) giving rise to an underlying profit for the period of $163,458 before adjustment for net fair market value loss on other financial investments, being option holdings arising in connection with corporate advisory work undertaken in a prior financial periods.

The consolidated result for the period was a net loss attributable to members of the Company of $763,457 (2010: $203,993). This loss includes a substantial $417,392 write-down to fair market value at 31 December 2012 of the company's interest in unlisted options over shares of an ASX listed company. The options can be exercised at any time up to 28 February 2014. The net loss directly attributable to the company's operating activities during the half-year was $346,065.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the interim financial report and forms part of this directors' report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Mr Sean Peter Rothsey
Chairman

Melbourne, 29 February 2012

PKF

Chartered Accountants
& Business Advisers

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors
MDS Financial Group Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial half-year ended 31 December 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

- no contraventions of any applicable code of professional conduct in relation to the audit.

D J Garvey
Partner
PKF

29 February 2012
Melbourne

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Directors' Declaration

In the opinion of the directors of MDS Financial Group Limited ("the Company"):

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Mr Sean Peter Rothsey
Chairman

Melbourne, 29 February 2012

Statement of Comprehensive Income
For the half year ended 31 December 2011

	Note	Consolidated	
		Half-year ended 31 Dec 2011 $	Half-year ended 31 Dec 2010 $
Revenue from continuing operations	4	4,099,514	2,923,714
Expenses			
Data fees		(1,077,222)	(1,033,680)
Dealing and settlement		(1,412,075)	(311,217)
Employee benefits		(1,151,706)	(1,002,746)
Occupancy		(202,382)	(157,801)
Telecommunications		(173,730)	(111,802)
Marketing		(227,660)	(95,053)
General and administrative		(413,994)	(248,740)
Depreciation and impairment		(104,713)	(42,375)
Other		(99,489)	(124,293)
Loss before income tax from continuing operations		(763,457)	(203,993)
Income tax expense		-	-
Loss after income tax from continuing operations		(763,457)	(203,993)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(763,457)	(203,993)
Loss for the year is attributable to:			
Owners of MDS Financial Group Limited		(763,457)	(203,993)
		(763,457)	(203,993)
Total comprehensive income for the year is attributable to:			
Owners of MDS Financial Group Limited		(763,457)	(203,993)
		(763,457)	(203,993)

	Cents	Cents
Basic earnings per share	(0.244)	(0.082)
Diluted earnings per share	(0.244)	(0.082)

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive as the exercise of the options would decrease the basic loss per share.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2011

	Note	Consolidated	
		As at 31 Dec 2011 $	As at 30 Jun 2011 $
Assets			
Cash and cash equivalents		307,840	892,338
Trade and other receivables		645,383	376,057
Financial assets at fair value through profit or loss	5	9,945	65,698
Other assets		247,160	58,010
Total current assets		1,210,328	1,392,103
Financial assets at fair value through profit or loss	5	277,400	694,792
Plant and equipment		114,862	141,128
Intangible assets	6	2,430,569	2,405,608
Other assets		124,673	124,673
Total non-current assets		2,947,504	3,366,201
Total assets		4,157,832	4,758,304
Trade and other payables		1,499,003	1,127,818
Deferred income		280,936	494,151
Employee benefits		195,466	196,083
Total current liabilities		1,975,405	1,818,052
Employee benefits		23,797	18,165
Total non-current liabilities		23,797	18,165
Total liabilities		1,999,202	1,836,217
Net assets		2,158,630	2,922,087
Equity			
Contributed equity		21,845,146	21,845,146
Reserves		46,384	46,384
Accumulated losses		(19,732,900)	(18,969,443)
Total equity		2,158,630	2,922,087

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the half-year ended 31 December 2011

Consolidated	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Consolidated				
Balance at 1 July 2010	20,671,655	3,080	(17,683,730)	2,991,005
Loss after income tax expense for the period	-	-	(203,993)	(203,993)
Total comprehensive income for the period	-	-	(203,993)	(203,993)
Transactions with owners in their capacity as owners:				
Transfer from Reserve	-	(3,080)	3,080	-
Shares cancelled during the period	(40,051)	-	-	(40,051)
Contributions of equity, net of transaction costs	13,997	-	-	13,997
Balance at 31 December 2010	20,645,601	-	(17,884,643)	2,760,958

Consolidated	Contributed Equity	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Consolidated				
Balance at 1 July 2011	21,845,146	46,384	(18,969,443)	2,922,087
Loss after income tax expense for the period	-	-	(763,457)	(763,457)
Total comprehensive income for the year	-	-	(763,457)	(763,457)
Balance at 31 December 2011	21,845,146	46,384	(19,732,900)	2,158,630

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

Statement of Cash Flows
For the half-year ended 31 December 2011

	Consolidated	
	Half-year ended 31 Dec 2011 $	Half-year ended 31 Dec 2010 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,420,870	2,908,206
Payments to suppliers and employers (inclusive of GST)	(4,960,858)	(3,175,724)
Interest received	5,286	12,981
Interest paid	(9,089)	-
Net Cash used in operating activities	(543,791)	(254,537)
Cash flows from investing activities		
Proceeds from sale of investments	62,700	30,000
Proceeds from repayment of bonds and guarantees	-	35,970
Payment for property, plant and equipment	-	(3,062)
Payments for intangible assets	(103,407)	(146,011)
Net cash used in investing activities	(40,707)	(83,103)
Cash flows from financing activities		
Proceeds from issue of securities net of costs	-	13,997
Payment for share buy back	-	(40,051)
Net cash used in financing activities	-	(26,054)
Net decrease in cash and cash equivalents	(584,498)	(363,694)
Cash and cash equivalents at the beginning of the financial half-year	892,338	870,166
Cash and cash equivalents at the end of the financial half-year	307,840	506,472

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Information

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Note 2. Going concern

For the half -year ended 31 December 2011 the consolidated entity has a loss attributable to members of $763,457 (2010: loss $203,993) and a negative cash flow from operating cash flows of $543,791 (2011: negative $254,537). At reporting date the consolidated entity has a current asset deficiency of $765,077 (June 2011: deficiency $425,949). These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. To this end the consolidated entity will undertake to fund its obligations beyond this working capital position through short-term borrowing and by raising additional share capital. The Directors are currently in negotiations with a third-party to secure debt financing sufficient to meet the company's financial obligations over the next 12 months.

The Company has taken steps to reduce the fixed costs and improve the profitability of its Data Subscriptions operations and has experienced increasing transaction flow in both its wholesale and institutional broking services.

Notwithstanding, the consolidated entity has the ability to scale down operations and discontinue certain programs should the need arise.

Cash flow forecasts prepared by management demonstrate the consolidated entity will have sufficient cash flows to meet its commitments over the next 12 months based on the above factors, and for that reason the financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern and pay its debts as and when they fall due.

Notes to Financial Information

Note 3. Operating Segments

Identification of reportable operating segments
The consolidated entity is organised into three operating segments: data subscriptions, broking and corporate advisory. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Data subscriptions	provision of financial market data and analysis tools for sophisticated traders incorporating The Bourse and Market Analyser
Broking	provision of execution only, online trading
Corporate advisory	provision of capital markets advice and related services

All products and services are provided predominantly to customers in Australia.

Intersegment transactions
Intersegment transactions were made at cost. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Six months ended 31 Dec 2011	Data Subscriptions $	Broking $	Corporate Advisory $	Unallocated $	Consolidated $
Revenue					
Operating revenue	1,700,201	2,230,905	568,703	10,150	4,509,959
Net fair value loss on financial assets	-	-	(410,445)	-	(410,445)
Segment revenue	1,700,201	2,230,905	158,258	10,150	4,099,514
Segment result before fair value adjustment	(231,008)	(285,462)	163,458	-	(353,012)
Segment result	(231,008)	(285,462)	(246,987)	-	(763,457)
Income tax expense	-	-	-	-	-
Loss after income tax expense	(231,008)	(285,462)	(246,987)	-	(763,457)
Assets					
Segment assets	2,711,913	1,401,925	43,994	-	4,157,832
Total assets					4,157,832
Liabilities					
Segment liabilities	1,498,824	477,490	22,887	-	1,999,202
Total liabilities					1,999,202

Notes to Financial Information

Note 3. Operating Segments (continued)

Six months ended 31 Dec 2010	Data Subscriptions $	Broking $	Corporate Advisory $	Unallocated $	Consolidated $
Revenue					
Operating revenue	1,997,868	797,388	83,240	13,010	2,891,506
Net fair value loss on financial assets	-	-	32,208	-	32,208
Segment revenue	1,997,868	797,388	115,448	13,010	2,923,714
Segment result before fair value adjustment	359,663	(503,515)	(92,349)	-	(236,201)
Segment result	359,663	(503,515)	(60,141)	-	(203,993)
Income tax expense	-	-	-	-	-
Profit/(Loss) after income tax expense	359,663	(503,515)	(60,141)	-	(203,993)
Assets					
Segment assets	3,903,731	247,163	112,369	-	4,263,263
Total assets					4,263,263
Liabilities					
Segment liabilities	1,349,117	152,107	1,081	-	1,502,305
Total liabilities					1,502,305

Note 4. Revenue

	Consolidated	
	Half-year ended 31 Dec 2011 $	**Half-year ended 31 Dec 2010 $**
Data subscriptions fees	1,833,281	2,062,033
Brokerage and commission revenue	2,030,337	692,699
Corporate advisory fees	568,703	83,240
	4,432,321	2,837,972
Other revenue		
Interest	5,286	12,981
Net fair value (loss)/gain on other financial investments	(410,445)	32,208
Other	72,352	40,553
	(332,807)	85,742
	4,099,514	2,923,714

Notes to Financial Information

Note 5. Financial assets at fair value through profit or loss

	Consolidated	
	As at 31 Dec 2011 $	**As at 30 Jun 2011 $**
Current		
Ordinary shares – held for trading	9,945	65,698
	9,945	65,698

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial periods are set out below

Opening fair value	65,698	10,500
Additions	-	75,550
Disposals	(62,700)	(30,000)
Revaluation increments to fair value	6,947	9,648
Closing fair value	9,945	65,698

Non-current		
Unlisted options – designated at fair value through profit or loss	277,248	694,640
Shares in other corporations – available for sale	152	152
	277,400	694,792

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial periods are set out below

Opening fair value	694,792	7,652
Additions	-	694,640
Revaluation increments to fair value	(417,392)	(7,500)
Closing fair value	277,400	694,792

Unlisted options held by the company, being options over the ordinary shares of an Australian company whose shares are listed on the Australian Securities Exchange, are restricted securities and subject to escrow until 28 February 2013. The options may be exercised at any time up to 28 February 2014.

Notes to Financial Information

Note 6. Intangible Assets

	Consolidated	
	As at 31 Dec 2011 $	**As at 30 Jun 2011 $**
Non-current		
Goodwill		
Cost	2,056,120	2,056,120
Accumulated impairment losses	(995,288)	(995,288)
	1,060,832	1,060,832
Websites		
Cost	38,381	38,381
Accumulated impairment	(20,000)	(20,000)
Accumulated amortisation	(5,514)	(3,676)
	12,867	14,705
Software development		
Cost	1,268,101	1,164,694
Accumulated amortisation	(116,397)	(54,623)
	1,151,704	1,110,071
Other intangible assets		
Cost	220,000	220,000
Accumulated amortisation	(14,834)	-
	205,166	220,000
Total intangibles	2,430,569	2,405,608

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial periods are set out below:

	Goodwill	Websites	Software Development Assets	Other Intangible Assets	Total
	$	$	$	$	$
Consolidated					
Balance at 1 July 2010	2,056,120	17,500	858,945	-	2,932,565
Acquisition through business combinations	-	-	-	150,000	150,000
Client list	-	-	-	70,000	70,000
Impairment	(995,288)	(17,500)	-	-	(1,012,788)
Amortisation	-	(3,676)	(54,623)	-	(58,299)
Internal development	-	18,381	305,749	-	324,130
Balance at 30 June 2011	1,060,832	14,705	1,110,071	220,000	2,405,608
Amortisation	-	(1,838)	(61,774)	(14,834)	(78,446)
Internal development			103,407		103,407
Balance at 31 December 2011	1,060,832	12,867	1,151,704	205,166	2,430,569

Notes to Financial Information

Note 7. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2011 of $74,673 (2010: $74,673) to its landlord and $50,000 (2010: $50,000), in relation to credit facilities, to its bankers.

Note 8. Events occurring after the reporting date

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MDS FINANCIAL GROUP LIMITED

PKF

Chartered Accountants
& Business Advisers

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of MDS Financial Group Limited which comprises the statement of financial position as at 31 December 2011, statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity. The consolidated entity comprises MDS Financial Group Limited (the company) and the entities it controlled at 31 December 2011 or from time to time during the half-year ended on that date.

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 31 December 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 MDS Financial Group 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*.

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 consolidated entity is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 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 *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial report, which indicates for the half-year ended 31 December 2011 the consolidated entity incurred an operating loss before tax of $763,457 and as of that date reflects net cash outflows from operating activities of $543,791 and has a net current asset deficiency of $765,077. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

PKF

PKF
29 February 2012
Melbourne

D J Garvey
Partner

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