

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

Half-year report for the half-year ended 30 June 2009

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2009**

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KENTOR GOLD LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors of Kentor Gold Limited submit herewith the financial report of the consolidated entity consisting of Kentor Gold Limited and the entities it controlled for the half-year ended 30 June 2009.

Directors

The names of the directors of the company during or since the end of the half-year are:

Director	Position Held	Date Appointed
John Barr	Non-Executive Chairman	Appointed 10 November 2004
Andrew Daley	Non-Executive Director	Appointed 10 November 2004
Simon Milroy	Managing Director	Appointed 14 May 2007
Hugh McKinnon	Executive Director	Appointed 28 May 1998
John Taylor	Non-executive Director	Appointed 28 July 2009

Principal Activity

The principal activity of the economic entity during the period was minerals exploration and evaluation.

Review of Operations

In the six months ended 30 June 2009, Kentor Gold made significant progress towards becoming a substantial gold and copper producer by securing an option to purchase an 80% interest in the Andash Gold-Copper Open Cut Mining Project (Andash Project) in the Kyrgyz Republic.

The Andash Project is situated within the Tien Shan gold belt, one of the world's largest gold provinces that stretches through Central Asia. The Project has a JORC Ore Reserve estimate of 540,000 oz gold and 63,000 tonnes copper. Based on a Feasibility Study completed by Wardell Armstrong of the UK in 2007 the Andash Project will have estimated mine life of 8 years at an average annual production rate of approximately 60,000 oz gold and 5,000 tonnes copper in concentrate.

Upon securing the option, Kentor Gold commenced technical, financial and legal due diligence on the Project and the accompanying exploration tenements. The Company also began consideration of funding options for the purchase and early development of the Project

Pre-development work at the Savoyardy Gold Project continues with a view to a development decision being taken late in 2009. This follows the positive results of a pre-feasibility study (PFS) earlier in the year. This high grade underground project is based on the Rudny deposit at Savoyardy and can be brought into production quickly and with low capital and operating costs due to underground access from Soviet era exploration adits already in place, the availability of experienced local contract miners and the availability of an existing processing plant. Initial production, commencing in 2010, is likely to be at the rate of approximately 10,000 oz gold a year for a minimum of three years, thus providing the Company with valuable early cash flow.

Surface and underground exploration has recommenced in July and is targeted at increasing the resources and reserves of this project.

Exploration on the Kurgan tenement has commenced to follow-up anomalous gold identified in geochemical sampling and trenching during 2008. Field works including geophysics have also commenced at the Bashkol licence to follow up anomalous gold and copper identified in the 2008 field season.

In relation to the Akbel exploration areas, the directors have decided to impair the value of this asset. In the opinion of the directors, the impaired value better reflects the fair market value of the asset. The Company is continuing to seek possible purchasers for the exploration area.

Two initial applications to the World Bank's GeoFund for funding of geothermal projects in Kyrgyzstan and Tajikistan were successful in attracting invitations from the World Bank to make full submissions. Submissions were subsequently prepared and lodged, proposing US\$3.5M to US\$4M for the drilling of two 500 metre deep holes followed by two 2,000 metre deep holes in the Inylchek Geothermal project in the Kyrgyz Republic, and a further US\$2 million for the evaluation of geothermal prospects and the drilling of a 2,000 metre hole in Tajikistan.

A field survey, comprising temperature logging of existing boreholes was completed in the Akshyrak licence, with co-operation from the Kyrgyz Geophysical Expedition, who provided equipment and expertise. The collected data, combined with newly collected rock samples will form the basis for conducting a 3D heat flow analysis. Also, a reinterpretation of an existing magneto telluric survey confirms that Inylchek (on the Akshyrak licence) is the prime area of interest.

A delegation of Kentor staff travelled to Tajikistan for a meeting with local officials and for carrying out a geothermal reconnaissance trip. The reconnaissance visit confirmed the considerable geothermal potential of this country. A summary of the findings of this trip was forwarded to the World Bank for their consideration in connection with our joint application with Panax Geothermal for a grant from the GeoFund.

Corporate

In order to progress the due diligence on Andash and pre-development work on Savoyardy, a share placement was successfully completed on 14th July to raise \$1.05 million through the placement of 26.15 million ordinary shares at 4 cents per share. Approval has also been received from shareholders on 2 September, to raise a further \$3 million. Kentor has signed a mandate letter with Paterson Securities Limited to undertake the placement and to provide a best endeavours underwriting on the placement.

Financial Position

The net assets and cash reserves of the company at 30 June 2009 were \$4,608,860 and \$311,630 respectively. The consolidated entity is involved in the exploration and evaluation of mineral tenements and as such expects to be cash absorbing until these tenements demonstrate that they contain economically recoverable reserves.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Two main projects are underpinning the Directors' confidence in the Company's ability to secure further funding. The Company has signed a Mandate with Patersons Securities Limited to raise up to \$3million following the shareholder approval obtained on 2 September. Subsequent to 30 June 2009, the Company has received \$1,046,000 from the issue of 26,150,000 shares at 4 cents per share.

Significant changes in the State of Affairs

There were no significant changes in the state of affairs of the company during the reporting period.

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 4 to this half-year financial report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by



WHJ BARR AM

Chairman

11 September 2009



BDO Kendalls

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DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF KENTOR GOLD LIMITED

As lead auditor for the review of Kentor Gold Limited for the half-year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kentor Gold Limited and the entities it controlled during the half-year ended 30 June 2009.

BDO Kendalls Audit & Assurance (QLD) Pty Ltd

Anthony Whyte
Director

Brisbane
11 September 2009

**KENTOR GOLD LIMITED
AND ITS SUBSIDIARIES**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

	Consolidated	
	Half-year ended 30 June 2009 \$	Half-year ended 30 June 2008 \$
Revenue	11,275	60,400
Foreign exchange gains	-	(2,876)
Employment related costs	(320,297)	(314,028)
Depreciation expenses	(15,569)	(15,045)
Office expenses	(21,449)	(38,117)
Travel related expenses	(18,951)	(52,625)
Administrative expenses	(232,365)	(392,144)
Share based payments	(8,824)	(23,647)
Other expenses	(1,970)	(28,679)
Due Diligence Costs	(53,692)	-
Impairment of exploration and evaluation costs	(616,196)	-
Loss before income tax expense	(1,278,037)	(806,761)
Income tax expense	-	-
Net loss for the half year	(1,278,037)	(806,761)
Other comprehensive income		
Foreign currency translation differences	(564,638)	(685,824)
Share issue costs	-	(199,994)
Other comprehensive loss for the half year	(564,638)	(885,818)
Total comprehensive loss for the half year	(1,842,675)	(1,692,579)
Minority Interest	-	-
Total comprehensive loss for the half year attributable to equity holders of Kentor Gold Limited	(1,842,675)	(1,692,579)
Basic earnings per share (cents per share)	(1.93)	(1.20)
Diluted earnings per share (cents per share)	(1.93)	(1.20)

The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes..

**KENTOR GOLD LIMITED
AND ITS SUBSIDIARIES**

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009**

	Note	Consolidated	
		30 June 2009 \$	31 December 2008 \$
CURRENT ASSETS			
Cash and cash equivalents		311,630	1,164,058
Trade and other receivables		40,566	66,127
Total Current Assets		352,195	1,230,185
NON-CURRENT ASSETS			
Property, plant and equipment		153,608	223,718
Deferred exploration expenditure		3,987,343	4,717,879
Other financial asset	4	147,892	-
Other non-current assets		494,041	629,235
Total Non-Current Assets		4,782,884	5,570,832
TOTAL ASSETS		5,135,079	6,801,017
CURRENT LIABILITIES			
Trade and other payables		99,286	114,968
Other liabilities	5	154,893	-
Total Current Liabilities		254,179	114,968
NON- CURRENT LIABILITIES			
Trade and other payables		272,041	243,338
Total Non- Current Liabilities		272,041	243,338
TOTAL LIABILITIES		526,220	358,307
NET ASSETS		4,608,860	6,442,710
EQUITY			
Issued capital	3	17,366,969	17,366,969
Other reserves		(986,087)	(430,273)
Accumulated losses		(11,772,021)	(10,493,984)
		4,608,860	6,442,710
Minority equity interest		-	-
TOTAL EQUITY		4,608,860	6,442,710

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CASH FLOWS
FOR HALF-YEAR ENDED 30 JUNE 2009**

	Consolidated	
	For the Half-year ended 30 June 2009 \$	For the Half-year ended 30 June 2008 \$
Cash flows from operating activities		
Payments to suppliers and employees	(696,680)	(578,671)
Other receipts	3,322	11,000
Interest received	7,953	47,458
Net cash used in operating activities	<u>(685,405)</u>	<u>(520,213)</u>
Cash flows from investing activities		
Payments for exploration	(239,863)	(1,639,427)
Payments for property, plant and equipment	(21,750)	(51,602)
Proceeds from sale of investments	94,766	-
Net cash used in investing activities	<u>(166,847)</u>	<u>(1,691,029)</u>
Cash flows from financing activities		
Payment of share issues costs	-	(269,174)
Proceeds from share issues	-	4,017,000
Net cash provided by financing activities	<u>-</u>	<u>3,747,826</u>
Net (decrease)/increase in cash and cash equivalents	(852,250)	1,536,584
Cash and cash equivalents at the beginning of the period	1,163,881	2,456,323
Effect of currency translation differences	-	(11,668)
Net cash at end of period.	<u><u>311,630</u></u>	<u><u>3,981,239</u></u>

The above Condensed statement of cashflows should be read in conjunction with the accompanying notes.

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2009**

	Contributed Equity \$	Accumulated losses \$	Foreign Currency translation reserves \$	Share-based payments reserve \$	Total equity \$
Balance at 1 January 2008	12,226,963	(5,260,356)	(802,304)	107,856	6,272,159
Share-based payment expense	-	-	-	35,647	35,647
Issue of share capital	5,340,000	-	-	-	5,340,000
Total comprehensive income for the half-year	(199,994)	(806,761)	(685,824)	-	(1,692,579)
Balance at 30 June 2008	17,366,969	(6,067,117)	(1,488,128)	143,503	9,955,227
Total comprehensive income for the half-year	-	(4,426,867)	914,351	-	(3,512,516)
Balance at 31 December 2008	17,366,969	(10,493,984)	(573,777)	143,503	6,442,711
Share-based payment expense	-	-	-	8,824	8,824
Total comprehensive income for the half-year	-	(1,278,037)	(564,638)	-	(1,842,675)
Balance at 30 June 2009	17,366,969	(11,772,021)	(1,138,415)	152,327	4,608,860

This condensed statement of changes in equity should be read in conjunction with the accompanying notes.

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year consolidated 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.

Kentor Gold Limited is a listed public company, incorporated and domiciled in Australia.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2008 and any public announcements made by Kentor Gold Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

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

In the current period, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2009. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's financial results.

The consolidated entity is involved in the exploration and evaluation of mineral tenements and as such expects to be cash absorbing until these tenements demonstrate that they contain economically recoverable reserves.

As at 30 June 2009, the group recorded accumulated losses from continuing operations after taxation of \$11,772,021. In addition, the company had incurred negative cashflows from operations of \$685,405 and negative cashflows from investing activities of \$166,847 in the half-year ended 30 June 2009 and has a surplus of current assets over current liabilities of \$98,016 as at 30 June 2009.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

A Pre-feasibility Study (PFS) on the Savoyard Gold Project has been completed and concluded that the project was feasible under the assumed conditions. Further metallurgical testwork and marketing will be undertaken prior to the Company making a decision to proceed toward the end of this calendar year.

The Company is in the process of undertaking a due diligence review of The Andash Gold Copper Project. A decision will be made at the end of September as to whether the option will be extended to the end of December 2009.

These two projects are underpinning the Company's ability to secure further funding. The Company has signed a Mandate with Patersons Securities Limited to raise up to \$3million following the shareholder approval obtained on 2 September. Subsequent to 30 June 2009, the Company has received \$1,046,000 from the issue of 26,150,000 shares at 4 cents per share.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the consolidated entity's and company's ability to effectively manage their expenditures and cashflows from operations, the directors believe that the consolidated entity and company will continue to operate as a going concern for at least the next 12 months from the date of signing of this report and therefore it is appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is uncertainty whether the consolidated entity and company will continue to operate as going concerns. If the consolidated entity and company are unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008**

NOTE 2. REVENUE AND EXPENSES

	For the Half- year ended 30 June 2009	For the Half-year ended 30 June 2008
Significant items		
Due diligence costs	(53,692)	-
Impairment of exploration and evaluation costs	(616,196)	-

The Company has assessed that the fair value of the Akbel tenement has declined and has impaired the value of this asset at 30 June 2009.

NOTE 3. EQUITY

	30 June 2009	31 December 2008		
(a0) Ordinary shares fully paid	<u>17,366,969</u>	<u>17,366,969</u>		
(b) Movements in shares on issue				
	30 June 2009		31 December 2008	
	Number of Shares issued	Issued capital \$	Number of Shares issued	Issued capital \$
Details				
Beginning of the financial year	95,088,129	17,366,969	60,988,129	12,226,963
Movements during the year				
Shares issued	-	-	34,100,000	5,340,000
Less: costs of share issues		-		(199,994)
Closing balance	<u>95,088,129</u>	<u>17,366,969</u>	<u>95,088,129</u>	<u>17,366,969</u>

NOTE 4 OTHER FINANCIAL ASSETS

	30 June 2009	31 December 2008
Option to acquire shares and other assets	<u>147,893</u>	-

On the 30th June 2009, the Company signed an option agreement to purchase the 80% of the Andash Gold-Copper project in the Kyrgyz Republic. The Company paid US\$100,000 (AUD\$123,244) for an exclusive 3 month option to purchase 100% of Kaldora Company Limited (incorporated in British Virgin Islands) and separately the mining and construction fleet. If exercised, Kentor Gold will purchase Kaldora Company Limited for US\$10 million and the mining and construction fleet for US\$5 million. The Company has the ability to extend the option period, with the consent of Aurum Mining Limited, The extension will require the payment of a further US\$300,000, \$150,000 of which is a deposit against the purchase price.

On the 12th May 2009, the Company signed an option agreement to purchase 100% of the Savoyardy project for US\$1.25m from Manas Resources Limited. Previously Kentor Gold had entered into an agreement to earn 70% of the project by spending US\$6,000,000 before 2012. Under the terms of the option, subject to its exercise, Kentor will pay USD\$500,000 at the end of March 2010 and USD\$730,000 12 months later. A production based royalty will also be payable to Manas Resources. The consideration for the option was US\$20,000 (AUD\$24,648)

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008**

NOTE 5. OTHER LIABILITIES

	30 June 2009	31 December 2008
	\$	\$
Accrued liability	7,000	-
Option fee to acquire shares and other assets	147,892	-
	154,893	-

NOTE 6. COMMITMENTS

A Joint Venture agreement with Manas Resources Limited allows Kentor Gold Limited to subsequently earn 70% interest in exploration licence in the Savoyardy Gold Project in the Kyrgyz Republic through JSC Savoyardy, a company wholly owned by Manas Resources Limited.

Under this agreement Kentor has the right to earn 70% of the equity in Savoyardy in exchange for spending US\$6,000,000 staged up to 31 March 2012. Up to 30 June 2009 approximately US\$3.6 million had been spent on this project. Under the joint venture agreement, the minimum amount required to be spent by 31 March 2010 is US\$3,000,000. This commitment will be extinguished if Kentor Gold exercises its option in respect of the Savoyardy projects referred to in Note 4.

A joint venture agreement exists between Kentor Gold and Panax Geothermal Pty Ltd (Panax) whereby Panax will earn 51% Equity interest in CJSC Kyldoo by spending \$5million on the project over a four year period. CJSC Kyldoo is a 100% subsidiary of CJSC Kentor which is 80% owned by Kentor Gold Limited.

NOTE 7. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30 June 2009, the Company has received \$1,046,000 from the issue of 26,150,000 shares at 4 cents per share. The Company has signed a Mandate with Patersons Securities Limited to raise up to \$3million following the shareholder approval obtained on 2 September.

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008**

NOTE 8 . SEGMENT INFORMATION

The entity operates in the Kyrgyz Republic mineral exploration sector where the company is actively pursuing opportunities.

Geographical segments	Australia	The Kyrgyz Republic	Total
<i>Half-year ended 30 June 2009</i>	\$	\$	\$
Revenue			
Revenue from external customers	11,275	-	11,275
Result			
Segment results	(575,951)	(702,086)	(1,278,037)
Net loss for the period			(1,278,037)
Assets and Liabilities at 30 June 2009			
Segment assets	583,864	4,551,216	5,135,080
Segment liabilities	(243,182)	(283,038)	(526,220)
Cash Flow Information			
Net cash flow from operating activities	(602,209)	(83,196)	(685,405)
Net cash flow from investing activities	(97,055)	(75,792)	(166,847)
Net cash flow from financing activities	(131,837)	131,837	-
<i>Half-year ended 30 June 2008</i>			
Revenue			
Revenue from external customers	57,458	2,941	60,400
Result			
Segment results	(730,212)	(76,549)	(806,761)
Net loss for the period			(806,761)
Assets and Liabilities			
Segment assets	5,542,137	4,412,480	9,954,617
Segment liabilities	(105,351)	(141,881)	(247,232)
Cash Flow Information			
Net cash flow from operating activities	(453,358)	(66,855)	(520,213)
Net cash flow from investing activities	(1,179,741)	(511,287)	(1,691,028)
Net cash flow from financing activities	3,747,826	-	3,747,826

**KENTOR GOLD LIMITED
AND ITS CONTROLLED ENTITIES**

Directors' Declaration

The directors of the company declare that in their opinion:

1. The financial statements, comprising the Condensed Statement of Comprehensive Income, Condensed Statement of Financial Position, Condensed Statement of Cashflows, Condensed Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a) Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date.
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 made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:



WHJ BARR AM
Chairman

Brisbane
11 September 2009



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KENTOR GOLD LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kentor Gold Limited, which comprises the condensed statement of financial position as at 30 June 2009, and 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, a statement of accounting policies, other selected 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 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 controls 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 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 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 June 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 Kentor Gold 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* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

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 Kentor Gold 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 June 2009 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity as at 30 June 2009 recorded accumulated losses of \$11,772,021. In addition the consolidated entity had incurred negative cash flows from operations of \$685,405 and negative cash flows from investing activities of \$166,847 in the half-year ended 30 June 2009 and has current assets in excess of current liabilities of \$98,016 as at 30 June 2009. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

As disclosed in note 1, subsequent to 30 June 2009 the consolidated entity has received \$1,046,000 from the issue of shares and has signed a mandate with Patersons Securities Limited to raise up to \$3,000,000.

The ability of the consolidated entity to continue to adopt the going concern basis of accounting is dependant on the continued ability of the consolidated entity to raise capital when required and, or successfully explore and subsequently exploit the consolidated entity's areas of interest.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the consolidated entity's plans not eventuate.

BDO Kendalls Audit & Assurance (QLD) Pty Ltd

BDO Kendalls



A J Whyte
Director

Brisbane
11 September 2009