



Half year report
for the half-year ended 30 June 2010

Corporate directory

Directors

Mr Mark Smyth	Chief Executive Officer
Mr Bernard Brady	Non Executive Director
Mr Philip Rand	Non Executive Director

Company Secretary

Mr Mark Smyth

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PERTH WA 6000

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Australian Share Registry

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Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

Telephone: 1300 55 70 10
+61 8 9323 2000
Facsimile: +61 8 9323 2033

Auditor

Somes and Cooke
1304 Hay Street
WEST PERTH WA 6872

Advisory Board

Mr Conrad Maher	Chairman
Mr David Boote	Member
Mr Caleb Dengu	Member
Mr Lewis Musasike	Member

Exchange Listings

Australian Securities Exchange (ASX) - CVI
NASDAQ OTC Bulletin Board CTVWF
Frankfurt Stock Exchange (DAX) – C4Z

USA Share Registry

Computershare Trust Company, Inc
350 Indiana Street
GOLDEN COLORADO CO 80401

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Directors' report

The directors of CityView Corporation Limited submit herewith the financial report of CityView Corporation Limited ('CityView' or 'the Company') and its subsidiaries ('the consolidated entity') for the half-year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name

Mr Manuel Africano
Mr Mark Smyth
Mr Bernard Brady
Mr Philip Rand

The above named directors held office during and since the end of the half-year except for:

- Mr Manuel Africano – resigned 12 July 2010

Review of operations

The consolidated entity made a loss for the period of \$516,922 (30 June 2009: \$5,784,223).

On 29 January 2010, the Company announced that following an extensive due diligence process, the Board had resolved to proceed with the acquisition of 74% of Velvogen Pty Ltd. Negotiations on the proposed acquisition terms ensued and it was finally agreed that the full purchase consideration would be satisfied by:

- a. an assignment of a Fortitude Minerals Limited loan note of US\$10,172,807 approximately (A\$11,874,900) which had been fully impaired.
- b. the transfer of the consolidated entity's non-core assets which have been fully written down in the financial statements, comprising 75,088,849 shares of Fortitude Minerals Limited, 2 A class shares and 1,659,368 B class shares of European Oil Limited.

The transfer of these shareholdings was completed on 29 June 2010 and no further consideration is payable for the acquisition of Velvogen Pty Ltd.

Auditor's independence declaration

The auditor's independence declaration is included on page 2 of the half-year report.

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

On behalf of the Directors



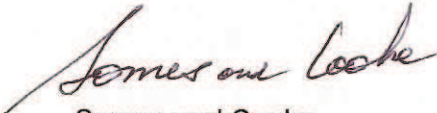
Mark Smyth
Chief Executive Officer
13 September 2010


CityView Corporation Limited ABN 59 009 235 634

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of CityView Corporation Limited.

As lead audit partner, for the review of the interim financial report, of CityView Corporation Limited for the half year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.


Somes and Cooke


K. C. Somes

1304 Hay Street
West Perth WA 6005

13 September 2010



CITYVIEW CORPORATION LIMITED ABN 59 009 235 634

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of CityView Corporation Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of CityView Corporation Limited and its subsidiaries (the consolidated entity) which comprises the interim condensed statement of financial position as at 30 June 2010, and the interim condensed comprehensive income statement, interim condensed statement of changes in equity and interim condensed statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the 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 interim 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 interim financial report 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 2010 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 CityView Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of an interim 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 CityView Corporation Limited on 13 September 2010, would be the same terms if provided to the directors as at the date of the auditor's review report.

Limitation of scope, regarding investment in subsidiary.

Velvogen Pty Ltd

\$40,710,834

We have been unable to obtain any information and explanations we require in respect to the recently acquired subsidiary. The investment has been fully impaired in the accounts and we draw your attention to Note 10.

Conclusion

Based on our review, which is not an audit, other than the information included in the preceding paragraph, we have not become aware of any matter that makes us believe that the interim financial report of CityView Corporation 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 2010 and of its performance for the half-year then ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

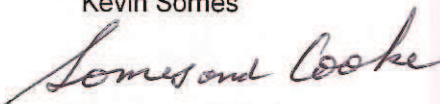
Material uncertainty, regarding continuation as a going concern.

Without qualification to the conclusion expressed above, attention is drawn to Note 1 Going Concern. The interim financial report for the half-year ended 30 June 2010 shows that the consolidated entity made a net loss from continuing operations of \$516,922 and has net deficiency of \$956,952.

The note indicates the existence of material uncertainties which may cast doubt on the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amount stated in the financial report.



Kevin Somes



Somes and Cooke
1304 Hay Street
West Perth WA 6005
Date: 13 September 2010



Directors' declaration

The directors declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'Mark Smyth', with a stylized, flowing script.

Mark Smyth
Chief Executive Officer
13 September 2010

Condensed consolidated income statement for the half-year ended 30 June 2010

		Half-year ended	
		30 June 2010	30 June 2009
	Note	\$	\$
Other income		-	5,725
Gain recognised on disposal of interest in former subsidiary	9	19,385	-
Marketing expenses		-	(122,615)
Occupancy expenses		(61,577)	(36,018)
Employee benefits expenses		(112,767)	(113,631)
Consulting/legal expenses		(127,428)	(613,752)
Administration expenses		(187,942)	(324,543)
Finance costs		(40,848)	-
Depreciation expenses		(5,745)	(7,842)
Impairment of other financial assets	4	-	(4,571,547)
Loss before tax		(516,922)	(5,784,223)
Income tax expense		-	-
Loss for the period	3	(516,922)	(5,784,223)
Attributable to:			
Owners of the Company		(516,922)	(5,784,223)
Non-controlling interests		-	-
		(516,922)	(5,784,223)
Loss per share			
Basic and diluted (cents per share)		0.04	0.59

Notes to the condensed consolidated financial statements are included on pages 11 to 19.

Condensed consolidated statement of comprehensive income for the half-year ended 30 June 2010

	Note	Half-year ended	
		30 June 2010	30 June 2009
		\$	\$
Loss for the period		(516,922)	(5,784,223)
Other comprehensive income			
Exchange differences arising on translation of foreign operations during the period	9	(10,889)	12,145
Total other comprehensive income for the period (net of tax)		(10,889)	12,145
Total comprehensive loss for the period		(527,811)	(5,772,078)
Total comprehensive loss attributable to:			
Owners of the Company		(527,811)	(5,772,078)
Non-controlling interests		-	-
		(527,811)	(5,772,078)

Notes to the condensed consolidated financial statements are included on pages 11 to 19.

Condensed consolidated statement of financial position as at 30 June 2010

	Note	30 June 2010 \$	31 Dec 2009 \$
Current assets			
Cash and cash equivalents		1,061	4,814
Trade and other receivables		10,045	68,999
Total current assets		11,106	73,813
Non-current assets			
Other financial assets	4	-	-
Property, plant and equipment		5,218	10,963
Total non-current assets		5,218	10,963
Total assets		16,324	84,776
Current liabilities			
Trade and other payables		710,640	513,917
Loans and borrowings	5	262,636	-
Total current liabilities		973,276	513,917
Total liabilities		973,276	513,917
Net assets/(deficiency)		(956,952)	(429,141)
Equity			
Issued capital	6	115,790,701	115,790,701
Reserves		-	10,889
Accumulated losses		(116,747,653)	(116,230,731)
Equity/(deficiency) attributable to owners of the Company		(956,952)	(429,141)
Non-controlling interest		-	-
Total equity/(deficiency)		(956,952)	(429,141)

Notes to the condensed consolidated financial statements are included on pages 11 to 19.

Condensed consolidated statement of changes in equity for the half-year ended 30 June 2010

	Issued capital \$	Option premium reserve \$	Equity- settled employee benefits reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Attributable to owners of the Company \$	Non- controlling interest \$	Total \$
Balance at 1 January 2009	107,315,153	2,273,446	2,911,600	-	(112,331,614)	168,585	-	168,585
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(5,784,223)	(5,784,223)	-	(5,784,223)
Other comprehensive income								
Foreign currency translation differences	-	-	-	12,145	-	12,145	-	12,145
Total other comprehensive income	-	-	-	12,145	-	12,145	-	12,145
Total comprehensive income/(loss) for the period	-	-	-	12,145	(5,784,223)	(5,772,078)	-	(5,772,078)
Transactions with owners, recorded directly in equity								
Shares issued	6,135,460	-	-	-	-	6,135,460	-	6,135,460
Share issue costs	(384,795)	-	-	-	-	(384,795)	-	(384,795)
Balance at 30 June 2009	113,065,818	2,273,446	2,911,600	12,145	(118,115,837)	147,172	-	147,172
Balance at 1 January 2010	115,790,701	-	-	10,889	(116,230,731)	(429,141)	-	(429,141)
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(516,922)	(516,922)	-	(516,922)
Other comprehensive income								
Foreign currency translation differences	-	-	-	(10,889)	-	(10,889)	-	(10,889)
Total other comprehensive income	-	-	-	(10,889)	-	(10,889)	-	(10,889)
Total comprehensive loss for the period	-	-	-	(10,889)	(516,922)	(527,811)	-	(527,811)
Transactions with owners, recorded directly in equity								
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-
Balance at 30 June 2010	115,790,701	-	-	-	(116,747,653)	(956,952)	-	(956,952)

Notes to the condensed consolidated financial statements are included on pages 11 to 19.

Condensed consolidated statement of cash flows for the half-year ended 30 June 2010

	Note	Half-year ended	
		30 June 2010	30 June 2009
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(214,653)	(1,064,235)
Interest and other costs of finance paid		(9,191)	(7)
Net cash used in operating activities		(223,844)	(1,064,242)
Cash flows from investing activities			
Interest received		-	1,500
Payments for property, plant & equipment		-	(226)
Payments for other financial assets	4	-	(43,727)
Cash acquired from consolidation of European Oil Limited		-	18,193
Net cash used in investing activities		-	(24,260)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	1,111,038
Proceeds from borrowings	5	197,222	-
Net cash provided by financing activities		197,222	1,111,038
Net (decrease)/increase in cash and cash equivalents		(26,622)	22,536
Cash and cash equivalents at the beginning of the period		4,814	128,912
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,943	(333)
Cash and cash equivalents at the end of the period		(18,865)	151,115
Cash and cash equivalents comprises:			
Cash and bank balances		1,061	151,115
Bank overdraft (classified within trade and other payables)		(19,926)	-
		(18,865)	151,115

Non-cash transactions

The following non-cash transactions occurred to the half-year ended 30 June 2010:

The consideration for the acquisition of 74% of Velvogen Pty Ltd is the assignment to Metro Crown Group Limited of the Fortitude Minerals Limited loan note of approximately US\$10,172,807 (A\$11,874,900), together with the transfer of non-core assets of the consolidated entity, comprising 75,088,849 shares of Fortitude Minerals Limited, 2 A class shares and 1,659,368 B class shares of European Oil Limited. No further consideration is payable for the acquisition of Velvogen Pty Ltd (note 10).

The following non-cash transactions occurred to the half-year ended 30 June 2009:

Proceeds from the issue of shares net of share issue costs	4,439,850
Loan to associated company – Fortitude Minerals Limited	(4,439,850)

Notes to the condensed consolidated financial statements are included on pages 11 to 19.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2009 annual financial report for the financial year ended 31 December 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('the AASB') that are relevant to their operation and effective for the current reporting period.

The directors have also elected under s.334(5) of the *Corporations Act 2001* to apply AASB 3 *Business Combinations* (2008) and AASB 127 *Consolidated and Separate Financial Statements* (2008), and the associated amending standard AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*. In addition, the directors have adopted the amendments to AASB 2 *Share-based Payment*, AASB 138 *Intangible Assets* and Interpretation 9 *Reassessment of Embedded Derivatives* included in AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The adoption of these new and revised Standards and Interpretations have resulted in changes to the consolidated entity's accounting policies in the following areas that have affected the amounts reported for the current or prior periods:

Business combinations

AASB 3(2008) *Business Combinations* applies prospectively to business combinations for which the acquisition date is on or after 1 January 2009 and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the consolidated entity, the application of the Standard has affected the accounting for the acquisition of Velvogen Pty Ltd in the current period.

The effect of AASB 3(2008) and its consequential amendments to other Australian Accounting Standards has been to:

- allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests). In the current period, in accounting for the acquisition of Velvogen Pty Ltd, the consolidated entity has elected to measure the non-controlling interests at fair value. Consequently, no goodwill has been recognised in respect of that acquisition reflecting the impact of the difference between the fair value of the non-controlling interests and their share of the identifiable net assets of the acquiree;

Notes to the condensed consolidated financial statements

1. Significant accounting policies (cont'd)

- change the recognition and subsequent requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only where it met probability and reliably measurable criteria; under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against goodwill only to the extent that they reflect fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to contingent consideration were always made against goodwill;
- where the business combination in effect settles a pre-existing relationship between the consolidated entity and the acquiree, require the recognition of a settlement gain or loss, measured at fair value of non-contractual relationships and
- require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business.

A nil effect has occurred to the consolidated entity as a result of early adopting revised AASB 3(2008) due to no goodwill being recognised for the acquisition of Velvogen Pty Ltd in the current reporting period. The adoption of the revised Standard has amended certain disclosures made in the financial report.

Changes in ownership interests of subsidiaries

AASB 127(2008) *Consolidated and Separate Financial Statements* has been adopted in the current period and applies prospectively. The revised Standard has resulted in changes in the consolidated entity's accounting policies regarding increases or decreases in ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in the Australian Accounting Standards, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under AASB 127(2008), all increases or decreases in such interests are recognised in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the consolidated entity derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In respect of the disposal during the period of the consolidated entity's interest in European Oil Limited, the impact of the change in policy has been that the difference of \$10,889 between the consideration received and the transfer between the consolidated equity's and non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in an increase in the loss for the period of \$10,889.

The revised Standard is also expected to affect the accounting for changes in ownership interests in future accounting periods, but the impact will only be determined once the detail of future transactions is known.

Notes to the condensed consolidated financial statements

1. Significant accounting policies (cont'd)

Changes in ownership interests of associates

AASB 128 *Investments in Associates* is amended by AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*, which has been adopted in advance of its effective date. The principle adopted in AASB 127(2008) that a change in accounting basis is recognised as a disposal and re-acquisition at fair value is extended by consequential amendments to AASB 128 such that, on the loss of significant influence, the investor measures at fair value any investment the investor retains in the former associate.

This change has affected the accounting for the disposal of the consolidated entity's interest in Fortitude Minerals Limited in the period. No amount has been recognised in profit or loss in the period as the consideration received on disposal and the fair value of the interest disposed in Fortitude Minerals Limited has been fully impaired in previous reporting periods.

In addition to the above, the adoption of these new and revised Standards and Interpretations have resulted in changes to the consolidated entity's presentation of, or disclosure in, its half-year financial statements in the following areas:

- presentation of the financial statements. Previously, in addition to the statement of financial position (formerly termed the 'balance sheet'), the income statement and the cash flow statement, the consolidated entity presented a statement of recognised income and expenses. As a consequence of the adoption of AASB 101 *Presentation of Financial Statements (2007)* and its associated amending standards, the consolidated entity no longer presents a statement of recognised income and expenses, but presents in addition to the statements listed above, a statement of comprehensive income and a statement of changes in equity.
- Information about the consolidated entity's segments. The adoption of AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* has resulted in both a re-designation of the consolidated entity's reportable segments and amended segment disclosures.

Going concern

The condensed consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the period ended 30 June 2010 of \$516,922 (30 June 2009: \$5,784,223), and a net cash outflow from operations of \$223,844 (30 June 2009: \$1,064,242). At 30 June 2010, the consolidated entity has net current liabilities of \$962,170 (31 December 2009: \$440,104).

The consolidated entity's ability to continue as a going concern and pay their debts as and when they fall due, given the consolidated entity's intended operational plans, assumes the following:

- a) The completion of a loan agreement for \$600,000 secured by a fixed and floating charge over all the assets and undertakings of the consolidated entity with Celtic Capital Pty Ltd.
- b) Subject to shareholder approval at the upcoming General Meeting of the Company on 22 September 2010, the completion of a prospectus to allot and issue 200,000,000 ordinary shares in the Company at an issue price of \$0.01 per share (on a 1 for 100 post-consolidation basis) to raise \$2,000,000 before costs of the issue.
- c) Further capital raising in the next twelve months;

Notes to the condensed consolidated financial statements

1. Significant accounting policies (cont'd)

- d) The generation of cash flows from the coal pelletisation plant, the asset held within Velvogen Pty Ltd of which the consolidated entity holds 74%; and
- e) Active management of the current level of discretionary expenditure in line with the funds available to the consolidated entity.

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the consolidated entity will achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Notwithstanding this, as the Company has a dependency on the continued support from current financiers and on securing additional funding, there is a significant uncertainty whether the consolidated entity will be able to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

2. Segment information

The consolidated entity has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the board of directors in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the consolidated entity's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of the entity operating in two primary segments being investments and exploration and in three secondary segments being Indonesia, Africa/Middle East and Australia. However, information reported to the consolidated entity's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on coal activities and corporate expenditure for the head office in Australia. The consolidated entity's reportable segments under AASB 8 are therefore as follows:

- *Coal activities* - includes expenditure in relation to the coal briquette plant acquired through the consolidated entity's 74% subsidiary Velvogen Pty Ltd.
- *Corporate* – includes head office expenses in Australia.

In prior periods, the consolidated entity was involved in Oil & gas and African mining activities, these operations were discontinued following the disposal of the consolidated entity's subsidiary European Oil Limited and the consolidated entity's associated entity Fortitude Minerals Limited.

Notes to the condensed consolidated financial statements

2.Segment information (cont'd)

The following is an analysis of the consolidated entity's results by reportable operating segment for the periods under review:

	Segment loss	
	Half-year ended	
	30 June 2010	30 June 2009
	\$	\$
Continuing operations		
Coal activities	-	-
Corporate	(486,491)	(1,207,984)
	(486,491)	(1,207,984)
Other income	-	5,725
Finance costs	(40,848)	-
Gain recognised on disposal of interest in former subsidiary	19,385	-
Loss before tax	(507,954)	(1,202,259)
Discontinued operations		
Oil & gas	(8,968)	(10,417)
African mining activities	-	(4,571,547)
Loss before tax	(8,968)	(4,581,964)
Income tax expense	-	-
Consolidated segment loss for the period	(516,922)	(5,784,223)

Segment loss represents the loss by each segment without the allocation of other income, finance costs, gain recognised on disposal of interest in former subsidiary and discontinued operations. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the consolidated entity's assets by reportable operating segment:

	30 June 2010	31 Dec 2009
	\$	\$
Continuing operations		
Coal activities	-	-
Corporate	16,324	71,559
Total segment assets	16,324	71,559
Oil & gas – discontinued operation	-	13,217
Total assets	16,324	84,776

Notes to the condensed consolidated financial statements

3. Loss for the period

Loss before tax has been derived after accounting for the following:

	Half-year ended	
	30 June 2010	30 June 2009
	\$	\$
Employee benefits expenses:		
Wages and salaries	46,667	42,582
Directors fees	60,000	60,000
Superannuation expenses	3,600	6,634
Increase in liability for annual leave	2,500	4,415
	112,767	113,631
Finance costs:		
Interest expense	34,416	-
Foreign exchange losses	6,432	-
	40,848	-
Depreciation	5,745	7,842
Gain recognised on disposal of interest in former subsidiary	19,385	-
Impairment of investments in associates	-	4,571,547

4. Other financial assets

	30 June 2010	31 Dec 2009
	\$	\$
Investments carried at cost:		
Non-current		
Investment – Fortitude Minerals Limited (a)	-	39,021,964
Investment – Quest Energy Middle East Limited (b)	-	1,688,870
Provision for impairment (i)	-	(40,710,834)
	-	-

(i) For the period ended 30 June 2010 no further impairment (30 June 2009 \$4,571,547) was recognised as the Directors resolved to fully impair the assets as at 31 December 2009. At each reporting date, the Directors review the carrying values of the movements in conjunction with the consolidated entity's accounting policies and the principal activities.

Movements – other financial assets at cost	30 June 2010	31 Dec 2009
	\$	\$
(a) Fortitude Minerals Limited		
Balance at the beginning of the year	-	14,882,243
Reclassification of Fortitude Minerals Limited expenses (prior year)	-	637,493
Reassignment of loan in Fortitude Minerals Limited	-	7,929,524
Funds advanced during the year ended 31 December 2009	-	4,439,850
Payment for technical reports	-	43,724
Realisation of Angola Diamond Holdings Limited	-	11,089,130
Provision for impairment	-	(39,021,964)
Closing balance at the end of the year	-	-
(b) Quest Energy Middle East Limited		
100% owned subsidiary of European Oil Limited		
Balance at the beginning of the year	-	1,600,910
Shares issued in consideration for acquisition of shares in European Oil Limited	-	87,960
Provision for impairment	-	(1,688,870)
Closing balance at the end of the year	-	-

Notes to the condensed consolidated financial statements

5. Loans and borrowings

During the current reporting period, the Company negotiated a \$1.2 million loan facility with Zurich Handelsfinanz Asia Limited of which \$35,622 has been drawn down to 30 June 2010 to fund working capital requirements. The loan facility terminated subsequent to period-end.

On 31 March 2010, the Company also secured a loan facility of £100,000 (A\$161,600) with Advanced Industrial Technology Corporation Pty Ltd. Interest is payable at a rate of 6% per month on balances drawn down. The loan was fully drawn down as at 30 June 2010 to fund working capital requirements and is secured on the personal guarantee of Mr Mark Smyth, the Company's Chief Executive Officer.

Interest of \$34,416 has been accrued and no loan repayments were made to 30 June 2010.

6. Issued capital

1,242,369,441 fully paid ordinary shares
(31 Dec 2009: 1,242,369,441)

30 June 2010	31 Dec 2009
\$	\$
115,790,701	115,790,701

Fully paid ordinary shares

	30 June 2010		31 Dec 2009	
	No.	\$	No.	\$
Balance at beginning of year	1,242,369,441	115,790,701	561,873,441	107,315,153
Issue of ordinary shares @\$0.008	-	-	77,500,000	620,000
Issue of ordinary shares @\$0.0034 (i)	-	-	160,000,000	544,000
Issue of ordinary shares @\$0.0125	-	-	434,200,000	5,427,500
Issue of ordinary shares @\$0.01	-	-	8,796,000	87,960
Premium paid for options which lapsed	-	-	-	2,273,446
Share issue costs	-	-	-	(477,358)
Balance at end of year	1,242,369,441	115,790,701	1,242,369,441	115,790,701

(i) Refer subsequent events (note 11) for further information in regards to these securities.

7. Commitments for expenditure

Operating leases

The Company reported an operating lease rental commitment in the annual report ended 31 December 2009, representing the lease of the office premise and two car bays in Perth for a period of three years expiring 31 December 2012. The operating lease was terminated subsequent to the end of the current reporting period.

The consolidated entity therefore does not have any commitments for expenditure as at 30 June 2010.

Notes to the condensed consolidated financial statements

8. Contingent assets and liabilities

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

9. Disposal of subsidiary & associate

On 29 June 2010, the consolidated entity completed revised terms for the acquisition of 74% of Velvogen Pty Ltd. The revised consideration for the acquisition was the assignment to Metro Crown Group Limited of the Fortitude Minerals Limited loan note of approximately A\$11,874,900 (US\$10,172,807), as previously agreed, together with the disposal of non-core assets, comprising 75,088,849 ordinary shares in the associate entity, Fortitude Minerals Limited and 2 A class and 1,659,368 B class shares of European Oil Limited. The consolidated entity now owns no economic interest in Fortitude Minerals Limited (31 December 2009: 22.93%) or European Oil Limited (31 December 2009: 96.42%).

The disposal of Fortitude Minerals Limited and European Oil Limited completes the consolidated entity's withdrawal from African mining and oil and gas activities. No cash proceeds were received on disposal.

The net assets of European Oil Limited at the date of disposal were as follows:

	\$
Net assets/(liabilities) on disposal 29 June 2010	(8,496)
Foreign exchange	(10,889)
Gain on disposal	19,385
Total consideration	-

A gain of \$19,385 was recognised on the disposal of European Oil Limited. No tax charge or credit arose on the transaction.

10. Acquisition of subsidiary

On 29 January 2010, the Company announced that following an extensive due diligence process, the Board had resolved to proceed with the acquisition of 74% of Velvogen Pty Ltd. Negotiations on the proposed acquisition terms ensued and it was finally agreed that the full purchase consideration would be satisfied by:

- an assignment of a Fortitude Minerals Limited loan note of US\$10,172,807 approximately (A\$11,874,900) which had been fully impaired.
- the transfer of the consolidated entity's non-core assets which have been fully written down in the financial statements, comprising 75,088,849 shares of Fortitude Minerals Limited, 2 A class and 1,659,368 B class shares of European Oil Limited.

The transfer of these shareholdings was completed on 29 June 2010 and no further consideration is payable for the acquisition of Velvogen Pty Ltd.

Velvogen Pty Ltd Cost of subsidiary	\$
Fortitude Minerals Limited balance transferred at 29 June 2010 (note 4)	39,021,964
Quest Energy Middle East Limited (note 4)	1,688,870
Provision for impairment (i)	(40,710,834)
Closing balance as at 30 June 2010	-

- (i) The Directors resolved that the consolidated entity's investment in its newly acquired subsidiary Velvogen Pty Ltd should be fully impaired as the acquisition was acquired by the disposal of a subsidiary and a loan to and an investment in an associate company which were fully impaired (refer note 4) in the prior reporting period, as a result there is no movement reflected in the income statement.

Notes to the condensed consolidated financial statements

11.Subsequent events

- On 6 August 2010, the Company announced a notice of general meeting for a general meeting of the Company to be held on 22 September 2010. The following key transactions are subject to shareholder approval at the general meeting:
 - the issued capital of the Company is to be consolidated on the basis that every 100 ordinary shares be consolidated into 1 ordinary share;
 - a capital raising in the form of a prospectus for the issue of up to 200,000,000 ordinary shares at an issue price of \$0.01 per share, on a post-consolidated basis to raise \$2,000,000 before costs of the issue.
 - A placement of 50,000,000 unlisted options exercisable at \$0.0001 on or before 31 December 2014 to raise \$5,000.
 - Ordinary shares to be issued to Celtic Capital Trust at an issue price of \$0.005 per share on a post-consolidated basis to repay a loan of up to \$600,000. The funds from the loan are only to be used to repay outstanding creditors. The loan is secured by a fixed and floating charge over all of the assets and undertakings of the Company. Interest on the loan is payable at 18% only in the event the loan is not converted into shares. The loan must be repaid on or before 28 February 2011.
- Also on 6 August 2010, the Company announced that an irregularity in the issue of 160,000,000 fully paid ordinary shares on the 18 December 2009 had been identified. Consequently, the Company has instructed its lawyers to make an application to the Federal Court of Australia seeking an order to validate the issue of the shares.