



ACN 147 799 951

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2011

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CORPORATE INFORMATION

Directors & Officers

Mr Jeremy Bond – Non-Executive Director
Mr Benjamin Bussell – Non-Executive Director
Dr Saliba Sassine – Non-Executive Director
Mr Matthew Foy – Company Secretary

Registered Office

Level 8, 225 St Georges Terrace
Perth WA 6000

PO Box 7653
Cloisters Square
Perth WA 6850

T: +61 (08) 9486 4036
F: +61 (08) 9486 4799

Stock Exchange

Australian Securities Exchange Limited (ASX)
Home Exchange – Perth
ASX Code – ROS (ordinary shares)

Australian Company Number
ACN 147 799 951

Australian Business Number
ABN 43 147 799 951

Bankers

National Australia Bank
131 Victoria Street
Bunbury WA 6230

Auditors

BDO (Audit) WA Pty Ltd
38 Station Street
Subiaco WA 6008

Share Registry

Securities Transfers Registrars
770 Canning Highway
Applecross WA 6153

T: +61 (08) 9315 2333
F: +61 (08) 9315 2233

Domicile and Country of Incorporation
Australia

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Red October Resources Limited ("Company") and the entity it controlled at the end of, or during, the half-year ended 31 December 2011.

DIRECTORS

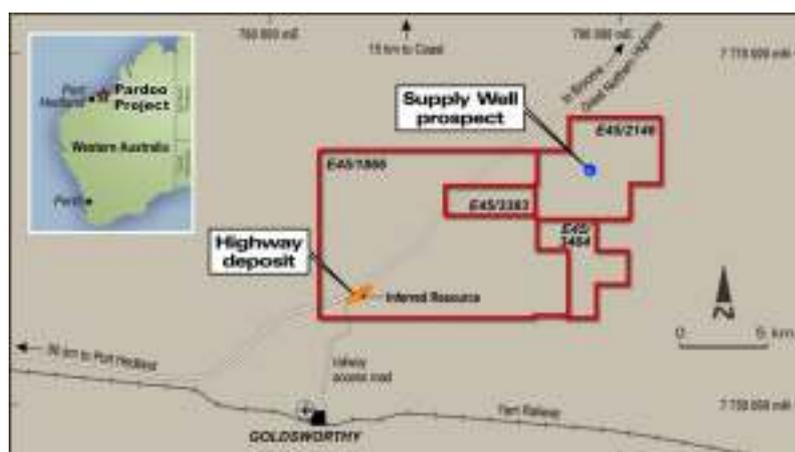
The Directors and Company Secretary of the Company at any time during or since the end of the half-year period are as follows.

Mr Jeremy Bond	(Appointed 1 February 2012)
Mr Benjamin Bussell	(Appointed 27 February 2012)
Mr Norman McCleary	(Resigned 27 February 2012)
Mr Ross Nairn	(Resigned 21 October 2011)
Dr Saliba Sassine	
Mr Ross Smith	(Resigned 21 October 2011)

COMPANY SECRETARIES

Mr Matthew Foy	(Appointed 28 February 2012)
Mr Simon Penney	(Appointed 6 July 2011, Resigned 4 April 2012)
Mrs Tanya Wooley	(Appointed 6 July 2011, Resigned 28 February 2012)

REVIEW OF OPERATIONS



(a) **Pardoo Nickel Project**

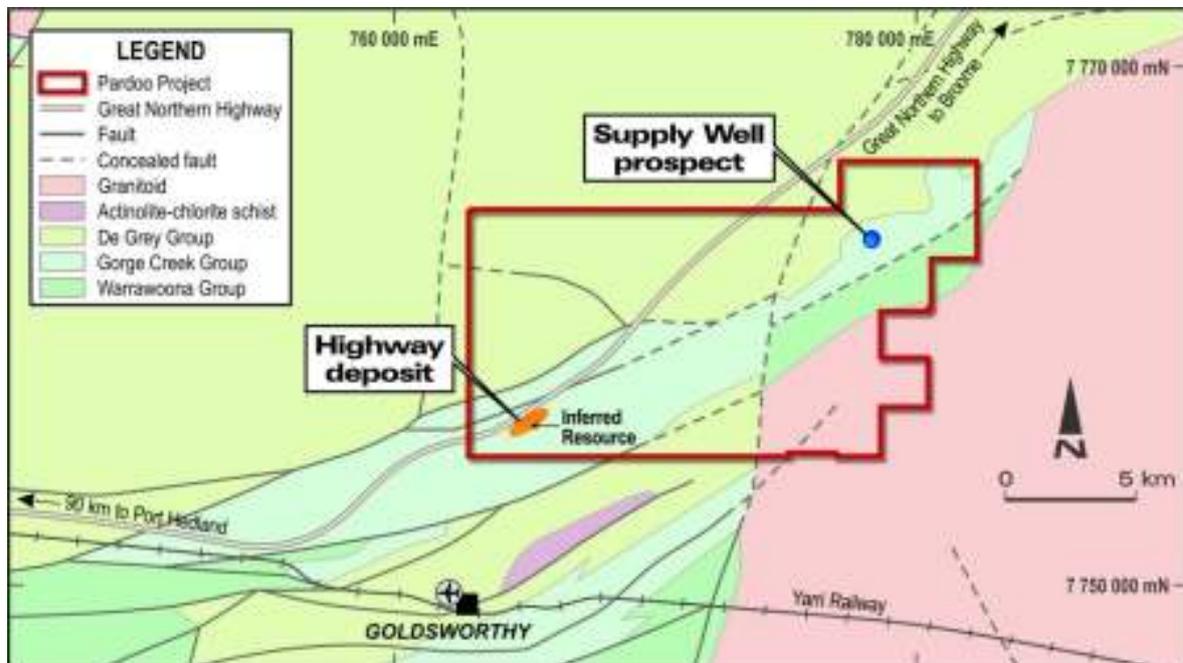
The Company entered into a Farmin Agreement with Segue Resources giving the Company the right to earn up to an initial 70% interest in the nickel and non-iron ore mineral rights in the Pardoo Project located in the Pilbara region of Western Australia by meeting expenditure of at least \$10 million within 5 years.

The Pardoo Project consists of four granted exploration licenses; E45/1866, E45/2146,

E45/3383 and E45/3464, in the Pilbara Mineral Field. These tenements cover approximately 161.2 km².

The Pardoo Project straddles the boundary between the East Pilbara Granite-Greenstone Terrane and the Central Pilbara Tectonic Zone, marked in this region by the Pardoo fault, which is part of the De Grey Structural Zone. The east-northeast trending Pardoo Fault separates the Ord greenstone belt in the north from the Goldsworthy greenstone belt in the south. The project is centred on the northern, faulted limb of the Goldsworthy Syncline (Figure 2).

Figure 2: Geological setting of the Pardoo Project (adapted from Smithies, 2004)



The mineralisation at the Highway deposit is hosted within a schist package, comprising biotite, chlorite, quartz, feldspar and carbonate schists. Chert lithologies occur above and below the schist and consist of grey, white and translucent banded and some brecciated chert. Above the chert-schist units the stratigraphy comprises fine grained mafic amphibole-biotite-chlorite schist, with accessory carbonate, magnetite and ilmenite.

Subsequent to year end the Company has renegotiated the Farmin Agreement with Segue Resources. The Company now has the right to earn up to an initial 50% (previously 70%) interest in the nickel and non-iron ore mineral rights.

(b) Yellowstone Copper Project – Central Kazakhstan

The Company entered into a legally binding Memorandum of Understanding to potentially acquire up to a 70% shareholding in Kazakhstan based company, ULY-TAU K Limited Liability Partnership (“**UTK**”), owner of the substantial Tesiktasskoye Copper project near Balkash in Central Kazakhstan (“**Yellowstone**”).

Subsequent to year end the Company has been unable to satisfy the terms of the acquisition agreement and has agreed to provide UTK access to all technical reports and physical assets funded by Red October during the due diligence process in exchange for a refund of the estimated costs of \$350,000 USD. This amount is to become payable to Red October on the sale of Yellowstone to another party.

(c) Akjilga Silver Project – Tajikistan

In June 2011 the Company made a successful bid of US\$12 million for the Akjilga Silver Project in Tajikistan, owned by Kazakhmys PLC (LON: KAZ), a FTSE 100 Company listed on the London Stock Exchange (the “Project”). Red October funded the initial US\$2 million deposit through existing cash reserves as it was unable to conduct a capital raising due to market conditions. Given the scale of the Project, it was Red October’s intention to spin it out into a new listing or vend the Project directly into another listed entity.

Subsequent to year end the Company received a Notice of Breach of Contract from the vendors and having been unable to meet the contract requirements have reached a settlement agreement releasing each other from any and all conceivable claims.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the Period the following significant events took place:

- On 21 October 2011 Mr Ross Smith resigned as Non-Executive Director
- On 21 October 2011 Mr Ross Nairn resigned as Non-Executive Director

EVENTS SUBSEQUENT TO THE END OF THE PERIOD

(a) Variation of Farmin Agreement with Segue Resources Limited

The Company entered into a Farmin Agreement with Segue Resources Limited on 17 December 2010 giving it the right to earn up to an initial 70% interest in the nickel and non-iron ore mineral rights associated with the Pardoo Project (“Project”) in three stages:

- (i) A 30% interest can be earned by (i) spending a minimum amount of \$2.0m within 3 years from the Commencement Date including a minimum spend of \$1.5m, or such other amount greater than \$1.5m as required to satisfy the ASX Listing Rules, within 2 years of the Commencement Date; and
- (ii) Once a 30% interest is earned then a further 20% (to a total of 50%) interest can be earned by spending a minimum total of \$5.0m within 4 years from the Commencement Date; and
- (iii) Once a 50% interest is earned then a further 20% interest (to a total of 70%) can be earned by spending a minimum total amount of \$10m within 5 years from the Commencement Date.

On 10 April 2012 both parties agreed to vary the agreement such that:

- (i) a 30% interest can be earned by spending a minimum amount of \$1.0 million on the Project within 2 years from the date of re-instatement of the Company to trading on the ASX (“Commencement Date”) with a minimum spend of \$250,000 on the Project by the earlier of 6 months from the Commencement Date or 31 December 2012; and
- (ii) once a 30% interest is earned then a further 20% (to a total of 50%) interest in the Project can be earned by spending a further minimum total amount of \$2.0m on the Project within 4 years from the Commencement Date.

In consideration for agreeing to the variation the Company will issue to Segue Resources Limited 11,250,000 shares in the Company, subject to shareholder approval.

(b) Akjilga Silver Project - Tajikistan

On 10 June 2011 Red October signed an agreement (“Share Sale Agreement”) to purchase the Akjilga Silver Project in Tajikistan for USD\$12m via the purchase of 100% of the share capital of CA Mineral LLP from Kazakhmys PLC (LON: KAZ), a FTSE 100 Company listed on the London Stock Exchange. An initial USD\$2m deposit was paid with the USD\$10m balance due by 1 October 2011.

Due to market conditions, Red October was unable to raise sufficient funds to pay the remaining balance and received a Notice of Breach of Contract from the vendors. On 5 April 2012 the Company signed a settlement agreement with the vendors releasing all parties to the Share Sale Agreement from any and all conceivable claims.

In consideration for the Company assigning all its rights, title and interest in the right to receive a cash payment of US\$350,000 from UTK upon a sale of Yellowstone together with the payment of US\$100,000 in cash to the vendors, the vendors agree that any claim that it may have against the Company in relation to the Share Sale Agreement has been settled in full.

(c) Convertible Note Funding

On 10 April 2012 the Company entered into a Subscription Agreement with Hemisphere Corporate Services Pty Ltd to provide the Company with funding of \$600,000 via an unsecured convertible note issue. The notes will convert to ordinary shares in the Company at \$0.005 subject to the Company obtaining shareholder approval.

The notes will have a 6 month term and accrue interest at a rate of 9.25% with interest payable on the date of repayment or convertible to shares at the conversion price of \$0.005.

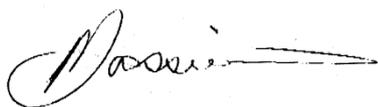
Except for the events discussed above, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the Group’s operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group’s state of affairs in future financial years.

AUDITORS’ INDEPENDENCE DECLARATION

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This report is made in accordance with a resolution of the directors.



Dr Saliba Sassine
Director

Perth, Western Australia
13 July 2012

13 July 2012

The Directors
Red October Resources Ltd
Level 8, 225 St Georges Terrace
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF RED OCTOBER
RESOURCES LIMITED

As lead auditor of Red October Resources Limited for the half-year ended 31 December 2011, 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 Red October Resources Limited and the entities it controlled during
the period.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		December 2011 \$	17 Dec to 31 Dec 2010 \$
Revenue from continuing operations	3	26,492	23
Other expenses	4	(251,925)	(669)
Exploration expenditure written off	4	(221,702)	-
Finance costs		(6,058)	-
Personnel expenses	4	(304,898)	-
Professional fees	4	(281,869)	-
Share based payments		-	-
Loss from continuing operations before income tax		(1,039,960)	(646)
Income tax expense		-	-
Loss from continuing operations after income tax		(1,039,960)	(646)
Other comprehensive loss for the period, net of tax		-	-
Total comprehensive loss for the period		(1,039,960)	(646)
Loss for the period is attributable to:			
Owners of the Company		(1,039,960)	(646)
		(1,039,960)	(646)
Total comprehensive loss for the period attributable to:			
Owners of the company		(1,039,960)	(646)
		(1,039,960)	(646)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic loss per share		(2.36)	(0.01)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2011 \$	30 June 2011 \$
Current Assets			
Cash and cash equivalents		240,649	1,385,486
Trade and other receivables		29,578	136,841
Total Current Assets		270,227	1,522,327
Non-Current Assets			
Plant & equipment	5	59,149	99,001
Exploration & evaluation expenditure	6	128,158	47,011
Total Non-Current Assets		187,307	146,012
TOTAL ASSETS		457,534	1,668,339
Current Liabilities			
Trade and other payables		169,385	340,230
Total current liabilities		169,385	340,230
TOTAL LIABILITIES		169,385	340,230
NET ASSETS		288,149	1,328,109
EQUITY			
Contributed equity		4,592,318	4,592,318
Share-based payment reserve		242,180	242,180
Accumulated losses		(4,546,349)	(3,506,389)
TOTAL EQUITY		288,149	1,328,109

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
As at 1 July 2011	4,592,318	242,180	(3,506,389)	1,328,109
Loss for period	-	-	(1,039,960)	(1,039,960)
Total comprehensive loss for the period	-	-	(1,039,960)	(1,039,960)
Transactions with owners in their capacity as owners:				
Issue of share capital	-	-	-	-
Share-based payments	-	-	-	-
As at 31 December 2011	4,592,318	242,180	(4,546,349)	288,149
	Issued Capital	Share-based Payment Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
As at 17 December 2010	-	-	-	-
Loss for period	-	-	(646)	(646)
Total comprehensive loss for the period	-	-	(646)	(646)
Transactions with owners in their capacity as owners:				
Issue of share capital	150	-	-	-
Costs of share issue	(14,126)	-	-	-
As at 31 December 2010	(13,976)	-	(646)	(14,622)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	December 2011 \$	17 Dec to 31 Dec 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(828,797)	(160)
Proceeds from insurance claim	10,507	-
Interest received	15,985	23
Interest paid	(8)	-
Net cash outflow from operating activities	(802,313)	(137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditure	(323,962)	-
Payments for property, plant and equipment	(18,562)	-
Net cash outflow from investing activities	(342,524)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares/options, net of share issued costs	-	40,150
Net cash inflow from financing activities	-	40,150
Net decrease in cash and cash equivalents	(1,144,837)	40,013
Cash and cash equivalents at the beginning of the period	1,385,486	-
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	240,649	40,013

The above consolidated statement of cash flows should be read in conjunction with the accompanying note

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Red October Resources Limited 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.

(a) Going Concern

The financial report has been prepared on a 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. During the period the consolidated entity incurred a net loss of \$1,039,960 and incurred net cash outflows from operating and financing activities of \$1,144,837.

The ability of the consolidated entity to continue as a going concern is dependent on the consolidated entity being able to raise additional funds as required upon successful reinstatement to meet ongoing exploration commitments and for working capital. The Directors believe that they will be able to raise additional capital as required upon reinstatement and are in the process of evaluating the consolidated entity's cash requirements.

The Directors believe that the consolidated entity will continue as a going concern. As a result the financial report has been prepared on a going concern basis. However should the consolidated entity be unsuccessful in undertaking additional raisings or being reinstated the consolidated entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of assets and liabilities that might be necessary should the consolidated entity not continue as a going concern.

(b) Impact of standards issued but not yet applied by the entity

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt instruments will therefore have to be recognized directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

Half Year Financial Report
For the half year ended 31 December 2011

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For the Period under review, the Company operated as one business

	December 2011	17 Dec to 31 Dec 2011
	\$	\$
3: REVENUE		
Interest Income	15,985	23
Other Income	10,507	-
Total Revenue	26,492	23
4: EXPENSES	\$	\$
Exploration expenditure written off		
Akjilga	147,315	-
Yellowstone	72,833	-
Other	1,554	-
	221,702	-
Other expenses		
Corporate costs	12,638	-
Depreciation	9,065	-
Insurance	8,803	-
Loss on disposal of property, plant & equipment	49,349	-
Telephone and communications expense	772	-
Travel expenses	138,938	-
Other expenses	32,360	669
	251,925	669
Personnel expenses		
Directors' fees	212,515	-
Director loan written off	20,508	-
Salaries and employee benefits	71,875	-
	304,898	-
Professional fees		
Audit expenses	15,000	-
Consultants	133,796	-
Legal Expenses	133,073	-
	281,869	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5: PLANT & EQUIPMENT	31 December		
	Furniture, Fittings and Equipment	Motor	2011 Total
Plant and equipment at cost	34,468	31,233	65,701
Less: Accumulated depreciation	(4,584)	(1,968)	(6,552)
Total property, plant and equipment	29,884	29,265	59,149

Reconciliation:

Balance at 1 July 2011	67,769	31,233	99,002
Additions	2,277	16,285	18,562
Depreciation charge	(6,517)	(2,548)	(9,065)
Disposals	(33,645)	(15,705)	(49,350)
Balance at 31 December 2011	29,884	29,265	59,149

	31 December 2011	30 June 2011
6: EXPLORATION AND EVALUATION EXPENDITURE	\$	\$
Carrying amount of exploration and evaluation expenditure	128,158	-
Reconciliation:		
Balance at the beginning of the period	47,011	-
Additions	81,147	128,158
Balance at the end of the period	128,158	128,158

7. DIVIDENDS

No dividends have been declared or paid since the start of the financial period and none are recommended.

8. COMMITMENTS & CONTINGENCIES

There are no new commitments, other than those that existed as at 30 June 2011 that the Company has entered into during the period under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. RELATED PARTY TRANSACTIONS

During the half year ended 31 December 2011, Red October Resources Limited entered into a contract with Blue Horse Corporate Pty Ltd for the provision of accounting and company secretarial services. Company secretaries Simon Penney and Tanya Woolley are both directors of Blue Horse Corporate Pty Ltd. The contract was for a six month term for \$18,000 per month.

On 31 December 2011, Segue Resources Limited invoiced the Company \$20,862 for Pardoo tenement rents in accordance with the Farmin Agreement.

10. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Variation of Farmin Agreement with Segue Resources Limited

The Company entered into a Farmin Agreement with Segue Resources Limited on 17 December 2010 giving it the right to earn up to an initial 70% interest in the nickel and non-iron ore mineral rights associated with the Pardoo Project ("Project") in three stages:

- (iv) A 30% interest can be earned by spending a minimum amount of \$2.0m within 3 years from the Commencement Date including a minimum spend of \$1.5m, or such other amount greater than \$1.5m as required to satisfy the ASX Listing Rules, within 2 years of the Commencement Date; and
- (v) Once a 30% interest is earned then a further 20% (to a total of 50%) interest can be earned by spending a minimum total of \$5.0m within 4 years from the Commencement Date; and
- (vi) Once a 50% interest is earned then a further 20% interest (to a total of 70%) can be earned by spending a minimum total amount of \$10m within 5 years from the Commencement Date.

On 10 April 2012 both parties agreed to vary the agreement such that:

- (i) a 30% interest can be earned by spending a minimum amount of \$1.0 million on the Project within 2 years from the date of re-instatement of the Company to trading on the ASX ("Commencement Date") with a minimum spend of \$250,000 on the Project by the earlier of 6 months from the Commencement Date or 31 December 2012; and
- (ii) once a 30% interest is earned then a further 20% (to a total of 50%) interest in the Project can be earned by spending a further minimum total amount of \$2.0m on the Project within 4 years from the Commencement Date.

In consideration for agreeing to the variation the Company will issue to Segue Resources Limited 11,250,000 shares in the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Akjilga Silver Project - Tajikistan

On 10 June 2011 Red October signed an agreement (“Share Sale Agreement”) to purchase the Akjilga Silver Project in Tajikistan for USD\$12m via the purchase of 100% of the share capital of CA Mineral LLP from Kazakhmys PLC (LON: KAZ), a FTSE 100 Company listed on the London Stock Exchange. An initial USD\$2m deposit was paid with the USD\$10m balance due by 1 October 2011.

Due to market conditions, Red October was unable to raise sufficient funds to pay the remaining balance and received a Notice of Breach of Contract from the vendors. On 5 April 2012 the Company signed a settlement agreement with the vendors releasing all parties to the Share Sale Agreement from any and all conceivable claims.

In consideration for the Company assigning all its rights, title and interest in the right to receive a cash payment of US\$350,000 from UTK upon a sale of Yellowstone together with the payment of US\$100,000 in cash to the vendors, the vendors agree that any claim that it may have against the Company in relation to the Share Sale Agreement has been settled in full.

(c) Convertible Note Funding

On 10 April 2012 the Company entered into a Subscription Agreement with Hemisphere Corporate Services Pty Ltd to provide the Company with funding of \$600,000 via an unsecured convertible note issue. The notes will convert to ordinary shares in the Company at \$0.005 subject to the Company obtaining shareholder approval.

The notes will have a 6 month term and accrue interest at a rate of 9.25% with interest payable on the date of repayment or convertible to shares at the conversion price of \$0.005.

Except for the events discussed above, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (iv) the Group’s operations in future financial years, or
- (v) the results of those operations in future financial years, or
- (vi) the Group’s state of affairs in future financial years.

DIRECTORS' DECLARATION

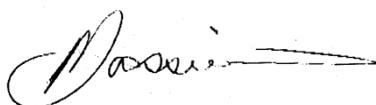
In the directors' opinion:

- (a) The financial statements and notes set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving 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

- (b) There are reasonable grounds to believe that Red October Resources Limited 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 directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Saliba", with a long horizontal flourish extending to the right.

Dr Saliba Sassine
Director

Perth, Western Australia

13 July 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RED OCTOBER RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red October Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entity it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing 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 half-year 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 Red October Resources 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*, which has been given to the directors of Red October Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red October Resources 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 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 modifying our conclusion, we draw attention to Note 1 (a) in the half-year financial report which indicates that Red October Resources Limited incurred a net loss of \$ 1,039,960 and incurred net cash outflows from operating and investing activities of \$1,144,837 during the half-year ended 31 December 2011. These conditions, along with other matters as set forth in Note 1 (a), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch
Director

Perth, Western Australia
Dated this 13th day of July 2012