



ODYSSEY
ENERGY LIMITED

ODYSSEY ENERGY LIMITED
ABN 73 116 151 636

**Interim Financial Report
for the Half Year Ended
31 December 2009**



CORPORATE DIRECTORY

Directors

Mr Ian Middlemas – Chairman
Mr Mark Pearce – Non-Executive Director
Mr David Cruse – Non-Executive Director

Company Secretary

Mr Mark Pearce

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Solicitors

Hardy Bowen, Lawyers

Auditor

PKF

Bankers

Australia and New Zealand Banking Group Limited

Stock Exchange Listing

Australian Securities Exchange
ASX Code: ODY

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The Board of Directors of Odyssey Energy Limited present their report on the consolidated entity of Odyssey Energy Limited ("the Company" or "Odyssey") and the entities it controlled during the half year ended 31 December 2009 ("Consolidated Entity").

DIRECTORS

The names of the Directors of Odyssey in office during the half year and until the date of this report are:

Mr Ian Middlemas
Mr Mark Pearce
Mr David Cruse

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax for the half year ended 31 December 2009 was \$4,148,139 (half year ended 31 December 2008: \$13,751,623).

The operating loss was primarily attributable to the recognition of an impairment loss of \$3,850,000 (half year ended 31 December 2008: \$11,432,870) in relation to the Company's investment in Marion Energy Limited, which is classified as an available for sale financial asset. Due to continued deterioration in the company's share price and Marion's stated intention to undertake a large pro rate entitlements issue, the reduction in value of the shares has been treated as an impairment loss and has been recognised as an expense in the Income Statement rather than being recognised directly in equity.

Review of Operations

During the half year the Company increased its focus on identifying new business opportunities in the energy sector, and examined a number of oil and gas and other energy projects. Further announcements will be made to the market regarding new business activities as required.

As previously advised, the Company has reviewed its ongoing cash outflow requirements resulting in overheads and exploration expenditure being substantially reduced.

Activities on the Company's McClain County Project are currently being limited to desktop reviews of geological information. The Board notes the recent increase in gas prices, and will continue to monitor the gas price in the USA. A continued and sustained increase in the gas price in the USA may justify additional exploration activities.

As announced in late 2008, the Company completed the sale of its subsidiary OEL Operating (USA) ("OEL") to Marion Energy Limited ("Marion"), in consideration for 27.5 million Marion Shares (ASX Code MAE).

The sale of OEL to Marion has reduced the Company's working capital requirements, and provided Odyssey with exposure to Marion's cornerstone project, Clear Creek. Marion also announced a reserves report (see ASX release dated 30 April 2009) with revised Proved and Probable (2P) reserves of 225 Bcf (3P reserves are 243 Bcf).

In January 2010, Marion announced that it has recommenced production at the Clear Creek project, where its activities are expected to increase over the coming months.

Marion has recently completed a share placement and has advised that it is undertaking a 1 for 2 rights issue. The Board expects to make a decision on participating in the rights issue when further details are announced by Marion, including pricing, entitlement ratio, timetable for participation and any updates on operational and corporate activities. However, given the current level of funding for the Company, it is unlikely that Odyssey will participate in the rights issue.

POST BALANCE DATE EVENTS

As announced on 15 March 2010, the Company will be undertaking a 1 for 1 non-renounceable entitlements issue to raise approximately \$2.74 million before expenses. The capital raising will enable the Company to continue the exploration activities and to pursue new opportunities in the resources sector.

Shareholders will be entitled to acquire one new ordinary Odyssey share for every existing Odyssey share held at the record date. New shares under the entitlements issue will be offered at \$0.03 per share. Subject to the necessary approvals and/or waivers, one option will also be granted for every two new shares subscribed for at no further consideration. These options will be exercisable at \$0.05 on or before 31 December 2014.

The Company also announced that it had entered into an agreement to convert up to \$1 million of debt and associated accrued interest into shares in the Company on the same terms as the rights issue, being a conversion price of \$0.03 and an associated one for two option and a right to participate on an equivalent basis to the entitlements issue. The conversion is subject to shareholder approval, with a notice of general meeting to be issued by the Company shortly.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, PKF Chartered Accountants and Business Advisors, to provide the Directors of Odyssey Energy Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is on page 14 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors.



IAN MIDDLEMAS
Director

Perth, 16 March 2010

DIRECTORS' DECLARATION



In accordance with a resolution of the Directors of Odyssey Energy Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes, as set out on pages 4 to 13, are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read "IAN MIDDLEMAS", written over a faint, light blue circular watermark.

IAN MIDDLEMAS
Director

Perth, 16 March 2010

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE HALF YEAR ENDED 31 DECEMBER 2009



ODYSSEY
ENERGY LIMITED

	Note	Half Year Ended 31 December 2009	Half Year Ended 31 December 2008
		\$	\$
Continuing Operations			
Revenue			
Interest Revenue		91	785
Other income – foreign exchange gain		45,343	-
Administration costs		(170,058)	(179,471)
Business development		(8,203)	(1,015)
Exploration costs		(2,063)	(24,656)
Finance costs		(163,249)	(152,559)
Other – Impairment losses	3	(3,850,000)	(11,432,870)
Loss before income tax expense		(4,148,139)	(11,789,786)
Income tax expense		-	-
Loss from continuing operations		(4,148,139)	(11,789,786)
Discontinued Operations			
Profit from discontinued operation, net of income tax		-	138,113
Loss on sale of subsidiary, net of income tax		-	(2,099,950)
Loss from discontinued operations		-	(1,961,837)
Net loss for the half year		(4,148,139)	(13,751,623)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations:			
– continuing operations		324	134,406
– discontinued operations		-	2,504,311
Reclassification adjustment:			
Transfer to Income Statement of foreign currency translation realised on sale of subsidiary		-	1,025,633
Income tax on other comprehensive income		-	-
Other comprehensive income for the half year		324	3,664,350
Total comprehensive loss for the half year		(4,147,815)	(10,087,273)
Loss attributable to members of Odyssey Energy Limited		(4,148,139)	(13,751,623)
Total comprehensive loss attributable to members of Odyssey Energy Limited		(4,147,815)	(10,087,273)

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (CONTINUED)**
FOR THE HALF YEAR ENDED 31 DECEMBER 2009



ODYSSEY
ENERGY LIMITED

	Half Year Ended 31 December 2009	Half Year Ended 31 December 2008
	\$	\$
Loss per share		
Basic loss per share (cents per share)	(7.13)	(23.65)
Diluted loss per share (cents per share)	(7.13)	(23.65)
Continuing Operations		
Basic loss per share (cents per share)	(7.13)	(20.27)
Diluted loss per share (cents per share)	(7.13)	(20.27)

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

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
AS AT 31 DECEMBER 2009



ODYSSEY
ENERGY LIMITED

	Note	31 December 2009 \$	30 June 2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents		34,140	31,094
Trade and other receivables		30,064	22,670
Total Current Assets		64,204	53,764
Non-current Assets			
Property, plant and equipment		1,725	2,328
Available-for-sale financial assets	3	3,025,000	6,875,000
Total Non-current Assets		3,026,725	6,877,328
TOTAL ASSETS		3,090,929	6,931,092
LIABILITIES			
Current Liabilities			
Trade and other payables		947,667	850,015
Borrowings		850,000	640,000
Total Current Liabilities		1,797,667	1,490,015
Non-current Liabilities			
Borrowings		2,824,900	2,824,900
Total Non-current Liabilities		2,824,900	2,824,900
TOTAL LIABILITIES		4,622,567	4,314,915
NET ASSETS		(1,531,638)	2,616,177
EQUITY			
Issued capital	4(a)	18,260,159	18,260,159
Reserves	4(b)	94,833	445,209
Accumulated losses		(19,886,630)	(16,089,191)
TOTAL EQUITY		(1,531,638)	2,616,177

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Attributable to Equity Holder of the Parent				Total Equity
	Issued Capital	Currency Translation Reserve	Share Based Payment Reserve	Accumulated Losses	
	\$	\$	\$	\$	
Balance at 1 July 2008	18,260,159	(3,532,350)	641,305	(2,626,111)	12,743,003
Total comprehensive loss for the period:					
Net loss for the period	-	-	-	(13,751,623)	(13,751,623)
Other comprehensive income					
Foreign currency translation – continuing operations	-	134,406	-	-	134,406
Foreign currency translation – discontinued operations	-	2,504,311	-	-	2,504,311
Transfer to Income Statement of foreign currency translation realised on sale of subsidiary	-	1,025,633	-	-	1,025,633
Total other comprehensive income	-	3,664,350	-	-	3,664,350
Total comprehensive income/(loss)	-	3,664,350	-	(13,751,623)	(10,087,273)
Transactions with owners, recorded directly in equity					
Expired options	-	-	(30,420)	30,420	-
Total transactions with owners	-	-	(30,420)	30,420	-
Balance at 31 December 2008	18,260,159	132,000	610,885	(16,347,314)	2,655,730

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (CONTINUED)**
FOR THE HALF YEAR ENDED 31 DECEMBER 2009



	Attributable to Equity Holder of the Parent				Total Equity \$
	Issued Capital	Currency Translation Reserve	Share Based Payment Reserve	Accumulated Losses	
	\$	\$	\$	\$	
Balance at 1 July 2009	18,260,159	94,509	350,700	(16,089,191)	2,616,177
Total comprehensive loss for the period:					
Net loss for the period	-	-	-	(4,148,139)	(4,148,139)
Other comprehensive income					
Foreign currency translation – continuing operations	-	324	-	-	324
Total other comprehensive income	-	324	-	-	324
Total comprehensive income/(loss)	-	324	-	(4,148,139)	(4,147,815)
Transactions with owners, recorded directly in equity					
Expired options	-	-	(350,700)	350,700	-
Total transactions with owners	-	-	(350,700)	350,700	-
Balance at 31 December 2009	18,260,159	94,833	-	(19,886,630)	(1,531,638)

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS**
FOR THE HALF YEAR ENDED 31 DECEMBER 2009



ODYSSEY
ENERGY LIMITED

	Half Year Ended 31 December 2009 \$	Half Year Ended 31 December 2008 \$
Cash flows from operating activities		
Payments to suppliers and employees	(70,038)	(281,898)
Receipts from customers	-	349,696
Interest received	91	800
GST refunds received	8,490	22,609
Interest paid	(127,120)	(127,120)
Net cash outflows from operating activities	(188,577)	(35,913)
Cash flows from investing activities		
Transaction costs on sale of subsidiary	(18,377)	-
Exploration expenditure	-	(93,666)
Net cash outflow from investing activities	(18,377)	(93,666)
Cash flows from financing activities		
Proceedings from borrowings	210,000	150,000
Net cash inflow from financing activities	210,000	150,000
Net increase in cash and cash equivalents held	3,046	20,421
Net foreign exchange differences	-	2,424
Cash and cash equivalents at 1 July	31,094	56,906
Cash and cash equivalents at 31 December	34,140	79,751

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This 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 of Odyssey Energy Limited for the year ended 30 June 2009 and any public announcements made by Odyssey Energy Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of Preparation of Half Year Financial Report

The condensed 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.

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 annual financial report for the year ended 30 June 2009, other than as detailed below.

In the current year, the Group has adopted all of 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 July 2009. The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods.

(b) Going Concern

These financial statements have been prepared on a going concern basis. For the half-year ended 31 December 2009, the Company has incurred losses of \$4,148,139, experienced net cash outflows of \$188,577 from operations and \$18,377 from investing activities and has net current liabilities of \$1,733,463 at that date, as disclosed in the statement of comprehensive income, cash flow statement and statement of financial position, respectively. Additionally, the market value of the Company's available-for-sale financial assets has declined from \$3,025,000 as at 31 December 2009 to \$1,265,000 as at the date of this report. These conditions give rise to a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The ability of the Company to continue as a going concern is principally dependent upon:

- the ability to raise further capital and negotiate a debt for equity conversion of its current borrowings;
- the ability to sell the Company's available-for-sale financial assets on market should the need arise to generate additional cash resources.

The Directors have forecasted the cash flow requirements of the Company for the period of 12 months from the date of this report, which includes the raising of funds from an entitlements issue and a debt for equity conversion. As announced on 15 March 2010, the Board has resolved to undertake an entitlements issue to raise up to \$2.74 million before expenses and subject to shareholder approval, and to also undertake a debt for equity conversion of up to \$1 million in debt and associated interest. The entitlements issue is expected to be completed in May 2010.

Based on the assumption of raising of the funds from the entitlements issue and the debt for equity conversion, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the Company be unable to continue as a going concern, it may be required to realise the assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Company be unable to continue as a going concern.

2. SEGMENT INFORMATION

The Company operates predominantly in one industry, the oil and gas exploration industry, and in one geographic location, namely the United States of America.

3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated 31 December 2009 \$	Consolidated 30 June 2009 \$
Shares in listed company	17,531,250	17,531,250
Less impairment in value	(14,506,250)	(10,656,250)
	3,025,000	6,875,000

The Company holds 27.5 million MAE shares, which are listed on the ASX and are recorded at market value at period end. During the period, an amount of \$3,850,000 (half-year ended 31 December 2008: \$11,432,870) has been recognised as an expense due to impairment in value of these shares.

4. ISSUED CAPITAL AND RESERVES

	Consolidated 31 December 2009 \$	Consolidated 30 June 2009 \$
(a) Issued and Paid Up Capital		
58,154,002 (30 June 2009: 58,154,002) fully paid ordinary shares	18,260,159	18,260,159
(b) Reserves		
Share based payment reserve:		
Nil (30 June 2009: 1,400,000) \$1.00 unlisted options	-	350,700
Foreign currency translation reserve	94,833	94,509
Total Reserves	94,833	445,209

4. ISSUED CAPITAL AND RESERVES (Continued)

(c) **Movements in Ordinary Share Capital were as follows:**

Half Year Ended 31 December 2008

There was no movement in ordinary share capital during the half year ended 31 December 2008.

Half Year Ended 31 December 2009

There was no movement in ordinary share capital during the half year ended 31 December 2009.

(d) **Movements in Options were as follows:**

Half Year Ended 31 December 2008

Date	Details	Number of \$0.20 Options	Number of \$0.60 Options	Number of \$1.00 Options	Issue Price \$	\$
1 Jul 08	Opening Balance	300,000	850,000	1,400,000	-	641,305
31 Dec 08	Expiry of Options	(300,000)	-	-	-	(30,420)
31 Dec 08	Closing Balance	-	850,000	1,400,000	-	610,885

Half Year Ended 31 December 2009

Date	Details	Number of \$1.00 Options	Issue Price \$	\$
1 Jul 09	Opening Balance	1,400,000	-	350,700
31 Dec 09	Expiry of Options	(1,400,000)	-	(350,700)
31 Dec 09	Closing Balance	-	-	-

5. CONTINGENT ASSETS AND LIABILITIES

At the last annual reporting date, the Consolidated Entity did not have any contingent assets or liabilities. There has been no material change in contingent assets and liabilities of the Consolidated Entity during the half year.

6. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year.

7. SUBSEQUENT EVENTS AFTER BALANCE DATE

Other than listed below, there were no significant events occurring after balance date requiring disclosure:

Entitlements Issue

As announced on 15 March 2010, the Company will be undertaking a 1 for 1 non-renounceable entitlements issue to raise approximately \$2.74 million before expenses. The capital raising will enable the Company to continue the exploration activities and to pursue new opportunities in the resources sector.

Shareholders will be entitled to acquire one new ordinary Odyssey share for every existing Odyssey share held at the record date. New shares under the entitlements issue will be offered at \$0.03 per share. Subject to the necessary approvals and/or waivers, one option will also be granted for every two new shares subscribed for at no further consideration. These options will be exercisable at \$0.05 on or before 31 December 2014.

Debt for Equity Conversion

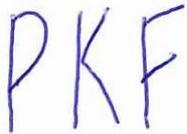
The Company also announced on 15 March 2010 that it had entered into an agreement to convert up to \$1 million of debt and associated accrued interest into shares in the Company on the same terms as the rights issue, being a conversion price of \$0.03 and an associated one for two option and a right to participate on an equivalent basis to the entitlements issue. The conversion is subject to shareholder approval, with a notice of general meeting to be issued by the Company shortly.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Odyssey Energy Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief there have been:

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

This declaration is in respect of Odyssey Energy Limited and the entities it controlled during the half year.



PKF
Chartered Accountants



Conley Manifis
Partner

Dated at Perth, Western Australia this 16th day of March 2010.

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ODYSSEY ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Odyssey Energy Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation 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 control 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 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 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 Odyssey Energy 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Odyssey Energy 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 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 qualification to our conclusion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity incurred a net loss of \$4,148,139 for the half year ended 31 December 2009, incurred net cash outflows of \$188,577 from operations and \$18,377 from investing activities and has net current liabilities of \$1,733,463 at that date. Additionally, the market value of the consolidated entity's available-for-sale financial assets has declined from \$3,025,000 as at 31 December 2009 to \$1,265,000 as at the date of this report. These conditions along with other matters set forth in Note 1(b) indicate the existence of a significant uncertainty about the consolidated entity's ability to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

PKF
Chartered Accountants

Conley Manifis
Partner

Dated in Perth, Western Australia on this 16th day of March 2010.