ADAVALE RESOURCES LIMITED

ACN 008 719 015

HALF YEAR REPORT

31 DECEMBER 2013

This financial report covers the consolidated entity consisting of Adavale Resources Limited and it's controlled entities.

This Interim Financial Report should be read in conjunction with the company's annual report for the period ended 30 June 2013.

ADAVALE RESOURCES LIMITED

FINANCIAL REPORT

for the half year ended 31 December 2013
ACN 008 719 015

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Directors

Haryono Eddyarto (Chairman)	
John Risinger	(resigned 6 September 2013)
Mark Stevenson	(resigned 25 September 2013)
Saharto Sahardjo	(appointed 20 December 2012)
Albert Cheok	(appointed 20 December 2012)
Peter Murphy	(appointed 27 September 2013)

Company Secretary
Leanne Ralph

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Auditor
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PERTH WA 6005

Stock Exchange
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

ASX Code
ADD (fully paid ordinary shares)

The directors of Adavale Resources Limited submit herewith the financial report for the half year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half year and up to the date of this report are:

Haryono Eddyarto (Chairman) (appointed 28 September 2011)
John Risinger (Resigned 6 September 2013)
Mark Stevenson (Resigned 25 September 2013)
Saharto Sahardjo (appointed 20 December 2012)
Albert Cheok (appointed 20 December 2012)
Peter Murphy (appointed 27 September 2013)

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activity

The principal activities of the consolidated entity continue to be mining explorations and development in Australia and Indonesia.

Adavale Resources Ltd has established itself in the coal industry in Indonesia and will continue to research and identify quality coal projects across Indonesia. The Company continues to hold its uranium tenements at Lake Surprise in South Australia and is actively seeking joint venture partners to further explore the area.

Dividends

No dividends were paid or declared for payment during the financial period.

Review of Operations

The net loss from ordinary activities after income tax for the half year ended 31 December 2013 was $530,583 (December 2012: net loss $4,085,414).

The loss from ordinary activities before income tax expense includes the following revenues and expenses disclosure is relevant in explaining the financial performance of the entity:

	Half Year Ended 31 Dec 2013 $	Half Year Ended 31 Dec 2012 $
Revenue from continuing operations	-	6,293
Expenses from continuing operations	(530,583)	(4,091,707)
Loss from continuing operations	(530,583)	(4,085,414)
Profit/(loss) from ordinary activities	**(530,583)**	**(4,085,414)**

The result for the half-year is in line with management and board expectations.

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Auditor's 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 6.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Haryono Eddyarto
Chairman
Sydney,
14 March 2014

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Auditor's Independence Declaration
To The Directors of Adavale Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Adavale Resources Limited for the half-year ended 31 December 2013, 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 14 March 2014

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ADAVALE RESOURCES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2013

	Note	Consolidated 31 Dec 2013 $	Consolidated 31 Dec 2012 $
Continuing operations			
Interest received		-	6,293
Total Revenue		**-**	**6,293**
Employee expenses		-	(4,560)
Insurance		(10,013)	(10,780)
Premises expense		-	(1,000)
Depreciation and amortisation expense		(812)	(1,301)
Contractor and consultants expense		-	(119,274)
Legal expenses		(7,396)	(75,335)
Share registry fees		(29,498)	(47,285)
Management & administration		(167,492)	(20,653)
Directors fees		-	(10,000)
Finance cost – Financial Instrument	8	(33,986)	-
Travel costs		-	(73,086)
Share based payment expense		(7,743)	-
Exchange difference		(1,779)	(1,638)
Impairment of exploration assets		(70,788)	(3,628,988)
Share of loss from equity accounted investment		(200,000)	(95,788)
Other expenses from ordinary activities		(1,076)	(2,019)
Total expenses		**(530,583)**	**(4,091,707)**
Loss before income tax		**(530,583)**	**(4,085,414)**
Income tax expense relating to continuing operations		-	-
Net Loss from continuing operations after income tax expense		**(530,583)**	**(4,085,414)**
Other Comprehensive Income:			
Movement in foreign exchange reserve		590	(12,834)
Total comprehensive Loss for the period		**(529,993)**	**(4,098,248)**
Earnings Per Share:			
Basic (cents per share)		(0.167)	(1.293)
Diluted (cents per share)		(0.167)	(1.293)

ADAVALE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	Consolidated 31 Dec 2013 $	Consolidated 30 June 2013 $
CURRENT ASSETS			
Cash assets		87,163	150,505
Receivables		8,354	62,326
Other		712	4,385
TOTAL CURRENT ASSETS		**96,229**	**217,216**
NON-CURRENT ASSETS			
Property, plant and equipment		1,448	2,471
Exploration and evaluation assets	2	1,180,000	1,180,000
Investments accounted for using the equity method	9	-	-
TOTAL NON-CURRENT ASSETS		**1,181,448**	**1,182,471**
TOTAL ASSETS		**1,277,677**	**1,399,687**
CURRENT LIABILITIES			
Payables		266,473	225,219
TOTAL CURRENT LIABILITIES		**266,473**	**225,219**
NON-CURRENT LIABILITIES			
Borrowings	8	384,282	175,000
TOTAL NON-CURRENT LIABILITIES		**384,282**	**175,000**
TOTAL LIABILITIES		**650,755**	**400,219**
NET ASSETS		**626,922**	**999,468**
EQUITY			
Share capital	6	37,326,274	37,326,274
Reserves	7-8	201,474	43,437
Accumulated losses		(36,900,826)	(36,370,243)
TOTAL EQUITY		**626,922**	**999,468**

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

ADAVALE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2013

	Note	Consolidated 31 Dec 2013 $	Consolidated 31 Dec 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(158,297)	(397,899)
Interest received		-	6,293
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(158,297)**	**(391,606)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate		(200,000)	-
Exploration costs paid		(30,045)	(43,548)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(230,045)**	**(43,548)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		325,000	-
Repayment of borrowings		-	15,000
Net proceeds from issue of equity securities		-	1
NET CASH FLOWS FROM FINANCING ACTIVITIES		**325,000**	**15,001**
NET (DECREASE) IN CASH ASSETS HELD		(63,332)	(420,153)
Cash assets at the beginning of the half year		150,505	589,014
CASH ASSETS AT THE END OF THE HALF YEAR		**87,163**	**168,861**

This above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

ADAVALE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2013

	Share Capital $	Accumulated Losses $	F/X Revaluation Reserve $	Equity Component Instrument $	Options Reserves $	Total $
Balance at 1 July 2012	37,326,273	(31,985,607)	12,437	-	43,433	5,396,537
Comprehensive income / (loss) for the period	-	(4,085,414)	(12,834)	-	-	(4,098,248)
Net issue of shares	1	-	-	-	-	1
Balance at 31 December 2012	**37,326,274**	**(36,071,021)**	**(397)**	**-**	**43,433**	**1,298,290**
Balance at 1 July 2013	**37,326,274**	**(36,370,243)**	**3**	**-**	**43,434**	**999,468**
Comprehensive income / (loss) for the period	-	(530,583)	590	-	-	(529,993)
Equity component of Financial Instrument	-	-	-	149,704	-	149,704
Share based payments	-	-	-	-	7,743	7,743
Net issue of Shares	-	-	-	-	-	-
Balance at 31 December 2013	**37,326,274**	**(36,900,826)**	**593**	**149,704**	**51,177**	**626,922**

This Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

1. BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Adavale Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

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

The accounting policies adopted are consistent with those applied in the 30 June 2013 annual report, and corresponding interim reporting period, except for the impact of the new and revised standards below.

New and Revised Standards

In the half year ended 31 December 2013, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2013. These new and revised Standards include:

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 13: Fair Value Measurements; and
- AASB 119 Employee Benefits (September 2011).

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

These half-year financial statements were approved by the Board of Directors on 14 March 2014.

Going Concern

The Group is at the exploration and evaluation phase of each of its mining tenements. The Group has incurred a loss for the period of $530,583 and a net cash outflow of $63,334. At period end, the Group's current liabilities exceeded its current assets by $170,244. The Group is also committed to payments to maintain rights to perform its evaluation activity. As a result the Group has and expects further cash outflows from operating and investing activities. Funding of ongoing activities is required from future capital raisings, debt funding and / or asset sales. Therefore significant uncertainty exists to the Group's ability to continue as a going concern.

The Directors have prepared the financial statements on a going concern basis, as the Directors believe that sufficient funding will be generated from future capital raisings or from drawing on the $1,000,000 convertible loan as agreed with Mr Eddyarto. At the end of the period, the Group had drawn down $500,000 of the convertible loan facility.

Notwithstanding the significant uncertainties of future events inherent in the above strategy, the Directors consider it is appropriate to prepare the financial statements on a going concern basis and hence no adjustments have been made in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity is unable to continue as a going concern.

2. EXPLORATION AND EVALUATION ASSETS

	Consolidated 31 Dec 2013 $	Consolidated 30 June 2013 $
Exploration and evaluation asset	1,180,000	4,765,589
Add: Exploration expenditure incurred in the period	70,788	92,161
Less: Provision for Impairment	(70,788)	(3,677,750)
	1,180,000	**1,180,000**

Exploration licences are carried at cost of acquisition less impairment losses.

In the 30 June 2013 Annual Report, the Group carried the exploration and evaluation asset as the value attributed to it by an Independent Valuation from an external expert of the Group. The areas valued were the two primary areas of interest, TAPAN in Indonesia and Lake Surprise in South Australia. The Group has adopted the lower valuation of these two areas included in the experts report, and has since maintained the valuation in the statement of financial position at $1,180,000.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of these assets.

3. COMMITMENTS

There is no material change to the commitments disclosed by the Group in its 30 June 2013 annual report.

4. CONTINGENCIES

There is no change to the status of the contingent liabilities disclosed by the Group in its 30 June 2013 annual report.

5. SEGMENT REPORTING

The Company has identified its operating segments based on internal reports that are reviewed by the Board and management.

The Company operated in one business segment during the half year, being mining and in two geographical area, being Australia and Indonesia.

a) The segment information provided for 31 December 2013 is as follows:

Primary Reporting – Business Segments Half year ended 31 December 2013	Mining and exploration $ Australia	Mining and exploration $ Indonesia	Other $ Australia	Total $
Revenue				
Interest	-	-	-	-
Other	-	-	-	-
Total Segment Revenue	-	-	-	-
Segment Result				
Profit/(loss) from ordinary activities before income tax	(15,054)	(365,797)	(149,732)	(530,583)
Income tax expense	-	-	-	-
Net Profit/(loss)	**(15,054)**	**(365,797)**	**(149,732)**	**(530,583)**
Total segment assets				
Exploration expenditure	480,000	700,000	-	1,180,000
Receivables	-	-	2,991,727	2,991,727
Others	-	26,149	63,115	89,264
	480,000	**726,149**	**3,054,842**	**4,260,991**

Primary Reporting – Business Segments Half year ended 31 December 2012	Mining and exploration $ Australia	Mining and exploration $ Indonesia	Other $ Australia	Total $
Total segment liabilities				
Creditors and accruals	-	229,355	37,118	266,473
Others	-	-	384,282	384,282
	-	**229,355**	**421,400**	**650,755**

b) Segment assets:

Reportable segment's assets reconciled to total assets as follows:

	Consolidated 31 Dec 2013 $	Consolidated 30 Jun 2013 $
SEGMENT ASSETS	4,260,991	4,367,947
Intersegment Eliminations	(2,983,314)	(2,968,260)
Total assets as per Statement of financial position	**1,277,677**	**1,339,687**

c) Segment liabilities:

Reportable segments' liabilities reconciled to total liabilities as follow:

	Consolidated 31 Dec 2013 $	Consolidated 30 Jun 2013 $
SEGMENT LIABILITIES	3,634,069	3,368,479
Intersegment Eliminations	(2,983,314)	(2,968,260)
Total liabilities Statement of financial position	**650,755**	**400,219**

d) The segment information provided for 31 December 2012 is as follows:

Primary Reporting – Business Segments Half year ended 31 December 2012	Mining and exploration $ Australia	Mining and exploration $ Indonesia	Other $ Australia	Total $
Revenue				
Interest	-	-	6,293	6,293
Other	-	-	-	-
Total Segment Revenue	**-**	**-**	**6,293**	**6,293**
Segment Result				
Profit/(loss) from ordinary activities before income tax	(1,999,398)	(1,759,114)	(326,902)	(4,085,414)
Income tax expense	-	-	-	-
Net Profit/(loss)	**(1,999,398)**	**(1,759,114)**	**(326,902)**	**(4,085,414)**

6. SHARE CAPITAL

	Consolidated 31 Dec 2013		Consolidated 30 June 2013	
	Number	$	Number	$
Fully paid ordinary shares	316,990,035	37,326,274	316,990,035	37,326,274
Ordinary Shares				
Opening Balance	316,990,035	37,326,274	316,990,035	37,326,274
Option conversions	-	-	-	-
Share issues	-	-	-	-
Closing Balance 31 December 2013	**316,990,035**	**37,326,274**	**316,990,035**	**37,326,274**

7. OPTION RESERVE

Since the end of the financial year ended 30 June 2013, the Company Directors have issued the 60,000,000 Milestone Options to Mr Haryono Eddyarto (Chairman) as at the Company meeting of 20 December 2012 and subsequently reaffirmed by approval by Shareholders at the Annual General Meeting on 25 November 2013. The options are issued conditional upon the Company attaining certain milestones outlined below:

	31 Dec 2013 No. Options	30 Jun 2012 No. Options
Milestone Options – Exercisable at $0.05, expiry date 31 Jul 2014		
Opening Balance	-	-
Issue of options	20,000,000	-
Closing Balance	**20,000,000**	**-**
Milestone Options – Exercisable at $0.06, expiry date 31 Jul 2015		
Opening Balance	-	-
Issue of options	20,000,000	-
Closing Balance	**20,000,000**	**-**
Milestone Options – Exercisable at $0.07c, expiry date 31 Jul 2016		
Opening Balance	-	-
Issue of options	20,000,000	-
Closing Balance	**20,000,000**	**-**

7. OPTION RESERVE (CONTINUED)

Milestone 1: 20 million options are exercisable when the Company enters into a binding contract to purchase or operate a coal project or concession with a minimum reserve of 2 million tonnes. This tranche will have an exercise price of A$0.05 per option and an expiry date of 31 July 2014;

Milestone 2: 20 million options are exercisable when the Company sells and ships its first load of coal. This tranche will have an exercise price of A$0.06 per option and an expiry date of 31 July 2015; and

Milestone 3: 20 million options are exercisable when the Company ships its first 500,000 tonnes of coal. This tranche will have an exercise price of A$0.07 per option and an expiry date of 31 July 2016.

Each of the above options issued during the reporting period have been valued and an expense of $7,743 has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

	Consolidated 31 Dec 2013		Consolidated 30 June 2013	
Options Reconciliation	**Number**	**$**	**Number**	**$**
Opening Balance	115,697,879	43,434	115,697,879	43,434
Options issued	60,000,000	7,743	-	-
Share issues	-	-	-	-
Closing Balance at the end of the period	**175,697,879**	**51,177**	**115,697,879**	**43,434**

8. BORROWINGS

	Note	Consolidated 31 Dec 2013 $	Consolidated 30 June 2013 $
Borrowings	8(a)	500,000	175,000
Less: Equity component instrument		(149,704)	-
Add: Unwinding of interest		33,986	-
		384,282	**175,000**

In the prior period, the Company announced it has entered into a Convertible Loan Agreement with Mr Eddyarto (Chairman). The Convertible Loan was approved by Shareholders at the General Meeting on 20 December 2012. During the reporting period, a further $325,000 has been drawn down on this loan to assist in funding the Group's operations.

The full terms of the convertible loan are disclosed in the 30 June 2013 annual report.

The convertible loan is considered a Compound Financial Instrument, that is, an instrument that has both a debt and equity component. A review of the convertible loan for accounting purposes has determined that applicable market interest rate for this convertible loan would be 30% pa. Consequently, the drawn down amount of $500,000 has been split between debt and equity using that rate as a basis for the split.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 Dec 2013 $	30 Jun 2013 $
Opening Investment	-	-
Add: Investment	200,000	-
Less: Share of loss from the Joint Venture	(200,000)	-
Total Carrying Value of Investment	-	-

Interests in Joint Venture entities

The Group owns a 40% interest in PT Adavale Harner Resources and is the only jointly controlled entity with the Group.

The interest in the Joint Venture is accounted for using the equity method of accounting. The Group's share of the joint venture entity's results and financial position is as follows:

	31 Dec 2013 $	30 Jun 2013 $
Non-current assets	19,448	68,361
Current assets	30,790	69,323
Total Assets	**50,238**	**137,684**
Non-Current liabilities	-	-
Current liabilities	(50,238)	(137,684)
Total Liabilities	-	-
Income	-	-
Expenses	(200,000)	(200,568)
Loss before income tax	**(200,000)**	**(200,568)**

The Group has not incurred any contingent liabilities or other commitments relating to its joint venture.

10. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the affairs of the Company in future financial years.

ADAVALE RESOURCES LIMITED

DIRECTORS' DECLARATION

for the half year ended 31 December 2013

The directors declare that:

(a) the attached financial statements and notes thereto comply with AASB 134 Interim Reporting;

(b) the attached financial statements and notes thereto give a true and fair view of the consolidated financial position as at 31 December 2013 and of its performance for the half year ended on that date;

In the directors' opinion:

(a) the attached financial statements and the notes thereto are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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



Haryono Eddyarto
Chairman

Sydney, 14 March 2014

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Independent Auditor's Review Report
To the Members of Adavale Resources Limited

We have reviewed the accompanying half-year financial report of Adavale Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities 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 Adavale Resources Limited 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 controls 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Adavale Resources Limited consolidated entity's financial position as at 31 December 2013 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 Adavale Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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 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 Adavale 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 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $530,583 during the period ended 31 December 2013 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $170,244. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 14 March 2014