

**BOW ENERGY LIMITED  
AND CONTROLLED ENTITIES**

**A.B.N. 63 111 019 857**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**BOW ENERGY LIMITED**

**CORPORATE DIRECTORY**

**DIRECTORS**

Nicholas Mather  
Stephen Bizzell  
Ronald Prefontaine

**AUSTRALIAN BUSINESS NUMBER**

63 111 019 857

**SECRETARY**

Duncan Cornish

**ADMINISTRATION AND REGISTERED OFFICE**

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**SHARE REGISTRY**

Link Market Services Limited  
Level 12, 300 Queen Street  
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**SOLICITORS**

Hopgood Ganim  
Level 8, Waterfront Place  
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Brisbane Qld 4000

**AUDITORS**

BDO Kendalls  
Level 18  
300 Queen Street  
Brisbane Qld 4000

## BOW ENERGY LIMITED AND CONTROLLED ENTITIES

### DIRECTOR'S REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2007.

#### Directors

The names of directors who held office during or since the end of the half-year:

Nicholas Mather  
Stephen Bizzell  
Ronald Prefontaine

#### Review of Operations

Bow Energy Ltd's main activity is the exploration for oil and gas. Bow Energy's primary assets are oil exploration tenements within proven oil and gas basins in Australia in the vicinity of commercial oil and gas fields. Bow Energy has an extensive acreage portfolio in three of Australia's hydrocarbon basins, namely the Carnarvon Basin in WA, the Cooper-Eromanga Basin in Queensland and the Surat-Bowen Basin also in Queensland. In addition, Bow Energy has interests in the Clarence-Moreton Basin adjacent to Brisbane and extending into northern NSW.

On 10 December 2007, Bow announced that it had entered into binding commitments for a capital raising of \$5,000,000 before issue costs by way of a placement ("Placement") of 20,000,000 Bow shares to institutional and sophisticated investors at \$0.25 per share. 4,000,000 (\$1,000,000) of the Placement shares were subscribed for by entities related to Mr Stephen Bizzell and Mr Nicholas Mather (directors of Bow). The issue of these shares to the director-related entities is subject to shareholder approval, to be sought in February 2008. The balance of the Placement shares (16,000,000) were issued on 13 December 2007, raising a total of \$4,000,000 before issue costs.

Also on 10 December 2007, the Company announced that it would invite shareholders to participate in a share purchase plan ('Plan') to raise up to a maximum of \$3,000,000 at \$0.25 per share. The Plan opened on 17 December 2007 and closed on 4 January 2008. On 14 January 2008, the Company announced that applications exceeded the maximum on the closing date of the Plan and that all applications received on the closing date will be processed for the full number of shares applied for. On 16 January 2008, 13,820,000 shares were issued, raising a total of \$3,455,000, before issue costs.

Bow plans to use the funds raised from the Placement and the Plan for ongoing exploration and appraisal activities including:

- Reserve certification drilling and pilot work as required for the Don Juan Coal Seam Gas project;
- seismic reprocessing, new seismic acquisition and drilling program in the Surat Basin;
- drilling at the Don Juan shallow oil project;
- oil enhancement work in the Surat Basin; and
- other working capital requirements.

Other significant activities which occurred during the half-year included:

- The first three exploration wells of the Don Juan CSG Joint Venture located north of Roma were cased as future pilot wells. The first well, Taringa South-1, flowed methane gas to surface at 370,000 cfd (Bow 45%).

## BOW ENERGY LIMITED AND CONTROLLED ENTITIES

### DIRECTOR'S REPORT

- Santos Ltd (Santos) and Avery Resources (Australia) Pty Ltd (Avery) have farmed into ATP 752P Barta and Wompi Blocks in the Cooper-Eromanga Basin with an earning program of up to 7 wells and a minimum of 300km<sup>2</sup> of 3D seismic data. The first two farmin wells are approved and planned to commence in April 2008. Bow is fully carried on the farmin program and will retain 15% working interest on completion of the farmin.
- Bow successfully tendered for two new areas in the Central Eromanga Basin in Queensland. The new permits, ATP 944P and ATP 948P, are immediately adjacent to Bow's current Central Eromanga Basin tenements and enhances Bow's position as the dominant acreage holder in the area (Bow 100%).
- Bow has an inventory of 204 oil prospects and leads in its Cooper- Eromanga and South-western Surat Basin project areas. Bow is marketing multi-well farm outs in tenements where it has high equities (Bow 50-100%).
- The acquisition of the 67km<sup>2</sup> 3D seismic survey (Watson 3D) in ATP 752P Wompi Block was completed.
- Production of 1,398 barrels of oil from the Rookwood Oil Field.
- Preparations for field enhancement programs on the Donga and Rookwood Oil Fields (Bow 85% and 60.44%).
- Preparations for the 2008 Surat and Cooper-Eromanga Basins drilling programs.
- Ongoing mapping programs for prospect generation and prospect high grading in preparation for drilling and/or farm out.

For the half-year ended 31 December 2007, the consolidated loss from ordinary activities for the economic entity after providing for income tax was \$236,542 (2006: \$737,900).

#### Auditors Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2007.

This report is signed in accordance with a resolution of the Board of Directors.

Stephen G Bizzell  
Director

Brisbane  
Date: 22 February 2008



BDO Kendalls

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ABN 70 202 702 402

21 February 2008

The Directors  
Bow Energy Ltd  
Level 5  
60 Edward Street  
BRISBANE QLD 4000

Dear Directors

**AUDITOR INDEPENDENCE DECLARATION TO BOW ENERGY LTD**

As the lead auditor for the review of Bow Energy Ltd for the interim, financial period ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Bow Energy Ltd.

Yours faithfully  
**BDO Kendalls (QLD)**

**Damian Wright**  
Partner

BOW ENERGY LIMITED AND CONTROLLED ENTITIES

CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Economic Entity 31 December 2007 \$	31 December 2006 \$
Revenue		112,422	427,262
Employee benefits expense		(102,777)	(259,489)
Depreciation and amortisation expenses		(16,494)	(17,354)
Legal expenses		(3,935)	(63,500)
Administration and consulting expenses		(167,748)	(728,597)
Other expenses		(58,010)	(96,222)
		<hr/>	<hr/>
<b>Profit/(Loss) before income tax</b>		(236,542)	(737,900)
Income tax expense		-	-
		<hr/>	<hr/>
<b>Net Profit/(Loss) attributable to members of the parent entity</b>		(236,542)	(737,900)
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings/(loss) per share (cents per share)		(0.22)	(0.93)
Diluted earnings/(loss) per share (cents per share)		(0.22)	(0.93)

The Condensed Income Statement should be read in conjunction with the notes to the financial statements.

**BOW ENERGY LIMITED AND CONTROLLED ENTITIES**

**CONDENSED BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	Note	Economic Entity 31 December 2007 \$	30 June 2007 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		6,991,338	1,867,305
Trade and other receivables		301,278	173,546
Inventories		336,904	353,057
Other current assets		24,507	39,222
<b>Total Current Assets</b>		<u>7,654,027</u>	<u>2,433,130</u>
<b>Non-Current Assets</b>			
Financial assets		2,790	2,790
Plant and equipment		144,820	149,619
Other non-current assets		398,378	311,083
Exploration and evaluation expenditure		12,269,771	11,885,945
<b>Total Non-Current Assets</b>		<u>12,815,759</u>	<u>12,349,437</u>
<b>TOTAL ASSETS</b>		<u>20,469,786</u>	<u>14,782,567</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		513,067	258,187
Other current liabilities		1,908,450	-
<b>Total Current Liabilities</b>		<u>2,421,517</u>	<u>258,187</u>
<b>Non-Current Liabilities</b>			
Provisions		125,000	125,000
<b>Total Non-Current Liabilities</b>		<u>125,000</u>	<u>125,000</u>
<b>TOTAL LIABILITIES</b>		<u>2,546,517</u>	<u>383,187</u>
<b>NET ASSETS</b>		<u>17,923,269</u>	<u>14,399,380</u>
<b>EQUITY</b>			
Issued capital	3	17,834,454	14,084,061
Reserves		1,724,633	1,714,595
Accumulated losses		(1,635,818)	(1,399,276)
<b>TOTAL EQUITY</b>		<u>17,923,269</u>	<u>14,399,380</u>

The Condensed Balance Sheet should be read in conjunction with the notes to the financial statements.

**BOW ENERGY LIMITED AND CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>At 1 July 2006</b>	8,704,234	(540,180)	218,897	8,382,951
Issue of share capital	5,519,378	-	-	5,519,378
Share issue costs	(200,066)	-	-	(200,066)
Employee options	-	-	1,477,139	1,477,139
Profit/(loss) for the period	-	(737,900)	-	(737,900)
<b>At 31 December 2006</b>	<b>14,023,546</b>	<b>(1,278,080)</b>	<b>1,696,036</b>	<b>14,441,502</b>
<b>At 1 July 2007</b>	14,084,061	(1,399,276)	1,714,595	14,399,380
Issue of share capital	4,002,065	-	-	4,002,065
Share issue costs	(251,672)	-	-	(251,672)
Employee options	-	-	10,038	10,038
Profit/(loss) for the period	-	(236,542)	-	(236,542)
<b>At 31 December 2007</b>	<b>17,834,454</b>	<b>(1,635,818)</b>	<b>1,724,633</b>	<b>17,923,269</b>

The Condensed Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

**BOW ENERGY LIMITED AND CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	<b>Economic Entity</b>	
Note	31 December 2007	31 December 2006
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	67,720	336,121
Payments to suppliers & employees (including Goods & Services Tax)	(352,229)	(581,196)
Interest received	53,167	77,971
<b>Net cash provided by (used in) operating activities</b>	<u>(231,342)</u>	<u>(167,104)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for security deposits	(87,295)	(96,810)
Payments for plant and equipment	(11,695)	(26,493)
Payments for exploration & evaluation	(24,426)	(2,861,502)
Payments for joint ventures	(576,579)	-
Recovery from joint ventures	238,324	-
<b>Net cash provided by (used in) investing activities</b>	<u>(461,671)</u>	<u>(2,984,805)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	4,002,065	3,662,341
Proceeds (received during the half-year) from share issues made after the half-year	1,908,450	-
Payments for share issue expenses	(93,469)	(148,765)
Proceeds from borrowings	95,426	65,870
Repayment of borrowings	(95,426)	(78,006)
<b>Net cash provided by (used in) financing activities</b>	<u>5,817,046</u>	<u>3,501,440</u>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	5,124,033	349,531
Cash at 1 July	1,867,305	2,659,932
<b>CASH AT 31 DECEMBER</b>	<u>6,991,338</u>	<u>3,009,463</u>

The Condensed Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

## BOW ENERGY LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

#### 1. BASIS OF PREPARATION

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Equivalent to International Reporting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this half-year report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Bow Energy Ltd and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2007 annual report.

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

#### Going concern

The half-year report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Economic Entity to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding or the successful exploration and subsequent exploitation of the Company's tenements.

#### Reporting basis and conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### Comparatives

When required by Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current financial year.

Economic Entity	
31 December 2007	31 December 2006
\$	\$

#### 2. LOSS AFTER INCOME TAX EXPENSE

The following revenue and expense items are relevant in explaining the financial performance of the interim period:

Write off of capitalised exploration expenditure on areas of interest abandoned during the period	18,404	526,774
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BOW ENERGY LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Economic Entity		Economic Entity	
	2007	2006	2007	2006
	No.	No.	\$	\$
<b>3. ISSUED CAPITAL</b>				
<b>(a) Ordinary shares</b>				
At 1 July	107,747,770	74,117,437	14,084,061	8,704,234
Shares issued during the year				
- 11 September 2006 (1)	-	6,647,000	-	1,124,877
- 7 November 2006 (2)	-	13,300,000	-	2,194,500
- 30 November 2006 (3)	-	13,333,333	-	2,200,001
- 10 October 2007 (4)	525	-	105	-
- 3 December 2007 (5)	4,000	-	800	-
- 6 December 2007 (6)	5,000	-	1,000	-
- 12 December 2007 (7)	800	-	160	-
- 13 December 2007 (8)	16,000,000	-	4,000,000	-
Share issue costs	-	-	(251,672)	(200,066)
At 31 December	<u>123,758,095</u>	<u>107,397,770</u>	<u>17,834,454</u>	<u>14,023,546</u>

(1) On 11 September 2006 the Company issued 6,647,000 shares to institutional and sophisticated investors.

(2) On 7 November 2006 the Company issued 13,300,000 shares to Oilex NL in consideration for the issued capital in Sequil Pty Ltd and its other Queensland assets.

(3) On 30 November 2006 the Company issued 13,333,333 to shareholders and underwriters who subscribed for shares under a Share Purchase Plan.

(4) On 10 October 2007, 525 \$0.20 options expiring 31 March 2008 were exercised into ordinary shares.

(5) On 3 December 2007, 4,000 \$0.20 options expiring 31 March 2008 were exercised into ordinary shares.

(6) On 6 December 2007, 5,000 \$0.20 options expiring 31 March 2008 were exercised into ordinary shares.

(7) On 12 December 2007, 800 \$0.20 options expiring 31 March 2008 were exercised into ordinary shares.

(8) On 13 December 2007 the Company issued 16,000,000 shares to institutional and sophisticated investors.

## BOW ENERGY LIMITED AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

#### 3. ISSUED CAPITAL (continued)

##### (b) Options

During the half-year ended 31 December 2007, the Company issued the following options to employees:

- 150,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of 30 cents. The options expire 31 March 2010.

During the half-year ended 31 December 2007, the Company cancelled the following options due to employee resignations:

- 708,333 options to take up one ordinary share in Bow Energy Ltd at an issue price of 30 cents. The options expired 20 May 2008.

- 708,333 options to take up one ordinary share in Bow Energy Ltd at an issue price of 40 cents. The options expired 20 May 2009.

- 708,333 options to take up one ordinary share in Bow Energy Ltd at an issue price of 50 cents. The options expired 20 May 2010.

#### 4. SEGMENT INFORMATION

The Company operates predominantly in one business and geographical segment being in the petroleum industry in Australia. No revenue from this activity has been earned to date as the Company is still in the exploration and evaluation stage.

#### 5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

##### (a) Contingent liabilities

###### *Native Title*

In the Annual Report for 30 June 2007, it was noted that certain tenements (ATP's 736P, 737P, 738P) to which Bow Energy Ltd has an interest still had unresolved native title claims. The position regarding the likely success and impact on Bow energy's operations of these tenements is unknown at balance date. It is management's intention to continue to work through these matters.

(b) The directors are not aware of any other significant contingent liabilities or contingent assets at the date of this report.

#### 6. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 December 2007, the Company announced that it would be inviting shareholders to participate in a share purchase plan ('Plan') to raise up to a maximum of \$3,000,000 at \$0.25 per share. The Plan opened on 17 December 2007 and at balance date \$1,908,250 had been received from shareholders wishing to participate in the Plan. This amount is shown within 'other current liabilities' on the Condensed Balance Sheet as at 31 December 2007.

The Plan closed on 4 January 2008. On 14 January 2008, the Company announced that applications exceeded the maximum on the closing date of the Plan and that all Applications received on the closing date will be processed for the full number of shares applied for. On 16 January 2008, 13,820,000 shares were issued, raising a total of \$3,455,000, before issue costs.

**BOW ENERGY LIMITED AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**6. EVENTS SUBSEQUENT TO REPORTING DATE (continued)**

On 24 December 2007, the Company received \$200 from an option holder wishing to exercise 1,000 \$0.20 options, expiring 31 March 2008, into ordinary shares. The shares were issued on 7 January 2008. This amount is shown within 'other current liabilities' on the Condensed Balance Sheet as at 31 December 2007.

On 8 February 2008, at the Company's Extraordinary General Meeting, resolutions to approve the issue of 2,000,000 fully paid ordinary shares to Nicholas Mather and 2,000,000 fully paid ordinary shares to Stephen Bizzell (or their respective nominees) at an issue price of \$0.25, were passed by a show of hands without amendment. The shares are being issued to Nicholas Mather and Stephen Bizzell on the same terms of the share placement completed on 13 December 2007. The shares will be issued as soon as practicable following the Extraordinary General Meeting and, in any event, no later than one month from the date of the Extraordinary General Meeting.

There have been no other events since 31 December 2007 that impact upon the financial report as at 31 December 2007.

**BOW ENERGY LIMITED AND CONTROLLED ENTITIES**

**DECLARATION BY DIRECTORS**

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 13:
  - (a) comply with Australian Equivalents to International Reporting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the economic entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Stephen G Bizzell  
Director

Brisbane  
Date: 22 February 2008



BDO Kendalls

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BOW ENERGY LIMITED**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Bow Energy Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the company in order for the disclosing entity to lodge the half-year interim financial report with the Australian Securities and Investments Commission and Australian Stock Exchange.

### **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 designing, implementing 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 company, 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 2007 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 Bow 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.

## Independence

We are independent of the company, and have met the independence requirements of the Australian professional ethical pronouncements and the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Bow Energy Limited on 21 February 2008, would be in the same terms if provided to the directors as at the date of this review report.

## Statement

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 Bow Energy Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2007 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 Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As set out in Note 1, the financial statements have been prepared on a going concern basis. The ability of the company to continue to adopt the going concern basis of accounting, to maintain continuity of normal business activities, and to pay its debts as and when they fall due is dependent upon the continued ability of the company to raise capital, and or successfully explore and subsequently exploit the company's exploration tenements.

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

## BDO Kendall's (QLD)

**D P Wright**  
Partner

Brisbane  
22 February 2008