



PREDICTIVE DISCOVERY LIMITED

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PREDICTIVE DISCOVERY LIMITED

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PREDICTIVE DISCOVERY LIMITED

CHAIRMAN'S REPORT

The past year has been one of great achievement for Predictive Discovery Limited. In July, 2010, the Company was a small private explorer with one joint venture and two exploration permit applications in Burkina Faso, and some lesser exploration interests in Australia. Since then, we have assembled a very capable exploration team in West Africa and Australia and have listed on the ASX after raising \$9 million. A large and successful field program is well under way.

In Burkina Faso, the Company now has ten granted permits totalling 1,672 square kilometres in three highly prospective greenstone belts. Those areas have seen 12,000m of reverse circulation drilling, 30,000m of power auger drilling, 7,000 line kilometres of airborne geophysics and over 300 square kilometres of geological mapping in the past year. This work has yielded very encouraging drill results on four prospects. Particular highlights have been the high grade drill intercepts at the Bangaba Project, numerous gold intercepts on the Dave Prospect in the Bonsiega Project and over 16 kilometres of very promising power auger gold anomalies on the Laterite Hill Grid.

In July 2011, in Burkina Faso, Predictive Discovery's acquisition of the Bangaba Project was a particularly important milestone. This permit contains the largest artisanal mining community in the region and has been yielding substantial quantities of gold for the past 27 years. A limited initial reverse circulation program directed beneath current artisanal workings gave positive results and the recognition that some 20km of prospective structure in the permit have never been tested by modern gold exploration methods, gives us great encouragement about the potential of Bangaba.

Application of the Company's Predictore™ technology has also been a strong feature of the past year's work. It has now identified high priority drill targets in both Burkina Faso and Australia and will be applied to all of the Company's ground holdings in the next field season.

We look forward to the year ahead with great enthusiasm. The Company is well funded and has a series of very exciting targets to test. In Burkina Faso a very large program has been planned involving both reverse circulation and diamond drilling. In addition, we are constantly on the lookout for new opportunities in West Africa and expect that more ground acquisitions will be announced in the months ahead. In summary, Predictive Discovery is working energetically towards the goal of discovering and reporting substantial gold resources in West Africa during 2012.

On behalf of us all, I would like to express my appreciation to Paul Roberts and our exploration teams in Burkina Faso and Australia that have worked tirelessly to achieve such great progress. I would also like to thank my fellow directors for their contributions during this busy year. Finally, I would also like to thank the shareholders for their support of the company over the past year.



Phillip Harman
CHAIRMAN

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

HIGHLIGHTS

Predictive Discovery Limited (**PDI**) made good progress towards its goal of being a successful discoverer of large ore deposits during the 2011 financial year.

Significant achievements included:

- Listing on the ASX on 1 December 2010 via a heavily oversubscribed IPO which raised \$8 million.
- Completion of a large scale exploration program in Burkina Faso involving 12,000 metres of reverse circulation (**RC**), 30,000 metres of power auger drilling, 7,000 line kilometres of airborne magnetics and over 300 square kilometres of geological mapping.
- Establishment of a large exploration team in Burkina Faso, now with 24 staff including 7 geologists.
- Widespread and strongly encouraging gold intercepts obtained from RC drilling at four prospects in Burkina Faso, including:
 - Dave-Dave East Prospect:
 - 46 metres at 1.7 g/t Au from 22 metres, including 26 metres at 2.7 g/t Au
 - 46 metres at 1.4 g/t Au from 16 metres
 - 14 metres at 3.7 g/t Au from 66 metres
 - 18 metres at 1.6 g/t Au from 16 metres
 - 16 metres at 1.7 g/t Au from 66 metres
 - Solna Prospect :
 - 7 metres at 13 g/t Au from 117 metres, including 1 metre at 80 g/t Au
 - 2 metres at 56 g/t Au from 65 metres, including 1 metre at 93 g/t Au
 - Tambiri Prospect :
 - 5 metres at 17 g/t Au from 96 metres
 - 12 metres at 2.4 g/t Au from 155 metres
 - Fouli Prospect :
 - 10 metres at 4.6 g/t Au from 13 metres
 - 14 metres at 1.9g/t Au from 2 metres
- Identification of over 16 kilometres of broad, power auger gold anomalies on the Laterite Hill Grid, which includes the Dave-Dave East Prospect, indicating substantial potential for comparable gold mineralisation over a large area.
- Acquisition of five additional properties, four in Burkina Faso and one in Australia, covering a total area of 495 square kilometres.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

INTRODUCTION

PDI is exploring for large high value gold and uranium ore deposits in West Africa and Australia. The Company's project focus is on ten gold exploration permits in Burkina Faso, West Africa.

PDI's exploration strategy begins with identification of high priority regions within well mineralised terrains using analyses of

country-scale geophysical, geological and mineral deposit data. Ground-based work then involves extensive geophysical surveys and geological mapping, followed by geochemistry and drilling. PDI's Predictore™ technology plays a critical role in identifying high priority targets at all scales - from country scale area selection to drill target prioritisation.

PREDICTORE™

Predictore™ is an Australian developed technology that resulted from over seven years of joint government/industry funded research at a cost of approximately \$17 million. A number of case history studies carried out during that research program demonstrated the effectiveness of the approach. PDI has the exclusive right to apply the technology outside of Australia and non-exclusive rights to apply it within Australia. The technology has two components: the first is applied to regional data sets and is able to highlight subtle large and

deep structures that potentially controlled large mineralised systems. The second utilises advanced computer simulation to map the movement of mineralising fluids through rocks and thereby predict where ore deposits are most likely to have formed. This powerful approach allows PDI's geologists to test a variety of predictions against what they actually observe in the field and make more rigorous conclusions about the location of priority targets. PDI believes that it has the potential to increase the odds of discovery.

BURKINA FASO GOLD PROJECTS

BACKGROUND

PDI's Burkina Faso projects are all located within the Birimian gold belts in West Africa. These belts contain numerous gold ore deposits (Figure 1), many of which are in production. Very active gold exploration, largely by Australian and Canadian companies, throughout the region continues to yield excellent results indicating that a number of new gold mines will be developed there in the near term.

Burkina Faso is a landlocked country, bounded to the south by Ghana, Cote D'Ivoire, Togo and Benin, to the west by Mali and to the east by Niger (Figure 1). Gold mining in the past was confined to artisanal mining and one substantial mining operation at Poura in the west of the country, which closed in 1999. In

the past six years, however, there has been a strong resurgence in exploration and mine development, stimulated especially by the release of new mining regulations in 2003. The Taparko, Mana, Kalsaka, Inata, Essakane and Youga gold mines are now in production. Of these, the largest known deposit is Essakane with 6 million ounces of reported gold in indicated and inferred resources. In addition, recent exploration results announced by such companies as Ampella Mining Limited (Batie West), Gryphon Minerals Ltd (Banfora) and Volta Resources Inc (Kiaka) suggest that more gold mines will be developed in future years.

In common with other West African countries, the Government has the right to take a free carried interest of 10% in any ore deposit that is brought into production. The rate of corporate tax for mining companies is 20%.

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REVIEW OF OPERATIONS

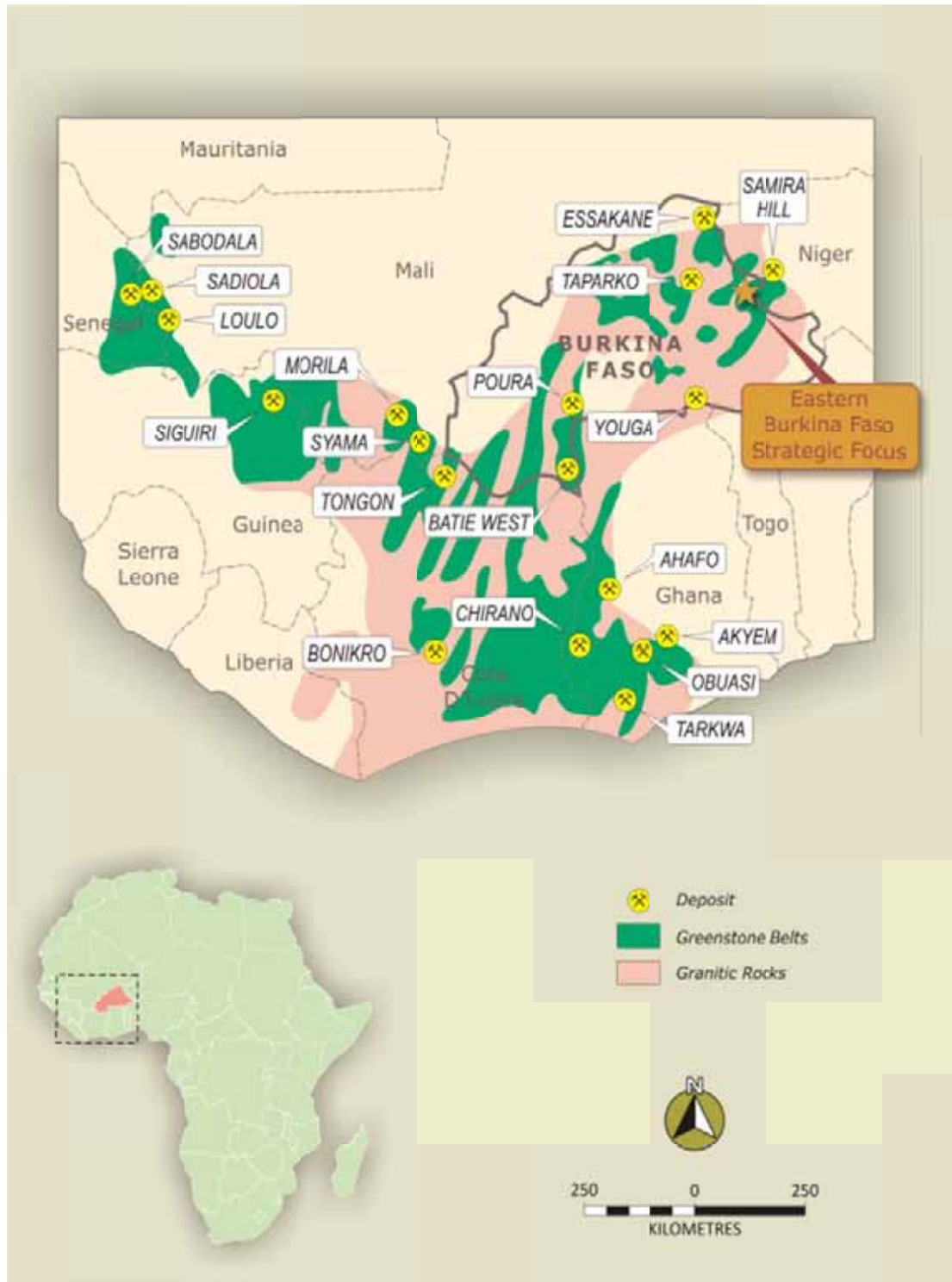


Figure 1: Major West African gold deposits within the Birimian gold belt (green indicates areas of volcanics and sedimentary rocks and pink indicates areas of granite). Burkina Faso is outlined in grey.

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REVIEW OF OPERATIONS

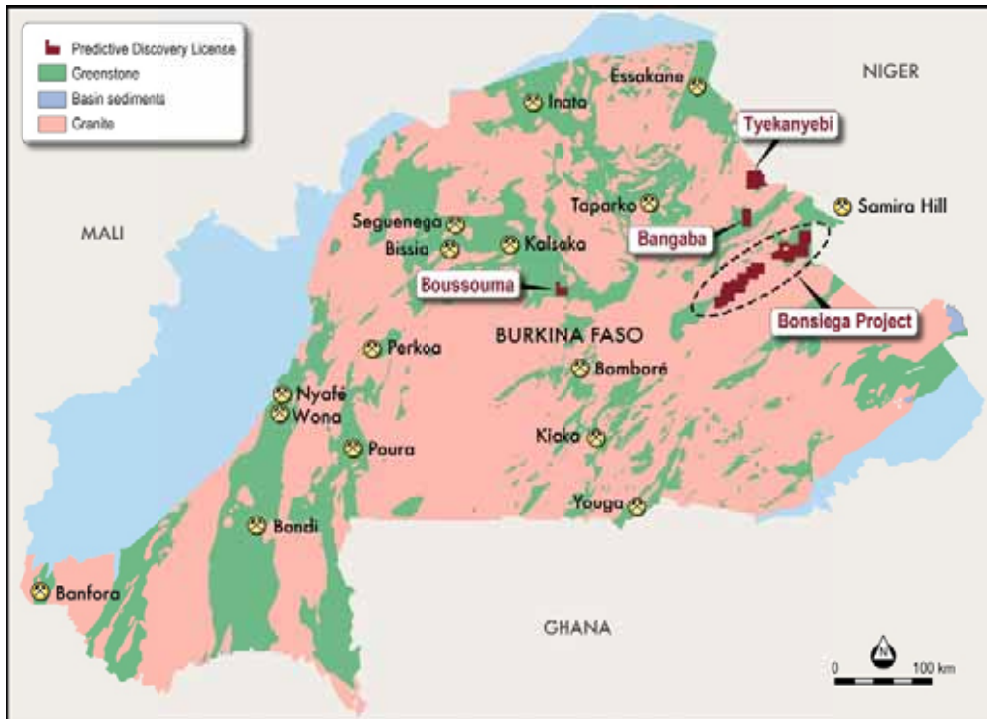


Figure 2: PD project location and known ore deposits in Burkina Faso.

In Burkina Faso, PDI holds rights to explore ten granted exploration permits covering a total area of 1,672 square kilometres (Figure 2). Of these, all but one is located in the eastern part of the country. The bulk of the tenement area

is contained in seven permits labelled the Bonsiega Project in the Samira Hill greenstone belt (Figures 2 and 3). A second important focus for the Company is the Bangaba Project in the Sebba Belt nearby to the north (Figure 2).

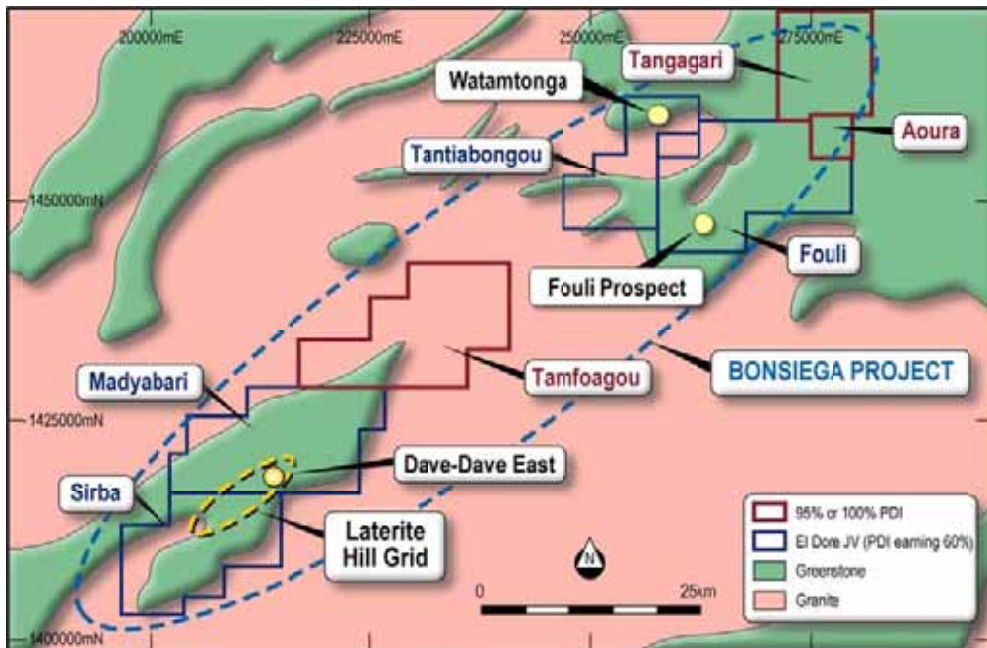


Figure 3: Location of exploration permits within the Bonsiega Project superimposed on a government geological map (note: PDI mapping shows that there are more extensive areas of greenstone rocks in the Tamfoagou permit than this geological map indicates).

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REVIEW OF OPERATIONS

BONSIEGA PROJECT

BACKGROUND

The Bonsiega Project covers 1,186 square kilometres and over 80 kilometres of strike length of the Samira Hill greenstone belt. Historic work consisted of geological mapping, airborne geophysical surveys and soil geochemistry but only limited drilling. Despite this, according to databases assembled by PDI's joint venture partner on four of the permits, Eldore Mining Corporation Limited (**EDM**), a series of ore width and grade intercepts were obtained by prior explorers at various locations within their permits. The project area also covers numerous artisanal workings.

LAND TENURE

Four of the Bonsiega Permits are subject to a farm-in agreement with EDM dated January

2010 (see Figure 3 for permit locations). Under the terms of that agreement, PDI is entitled to acquire a 60% share in a company which controls the four permits by spending \$2 million on exploration prior to 30 June 2012. Achievement of that milestone was announced in August 2011.

PDI acquired rights to purchase 95% of the Aoura and Tangagari permits in July 2010. In both cases, PDI can complete the transactions by making a series of cash payments over a period of three years. The total value of the transactions are USD200,000 for Aoura and USD220,000 for Tangagari.

The wholly owned Tamfoagou permit was granted to PDI in December 2010.



Typical landscape, Bonsiega Project.

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REVIEW OF OPERATIONS

LATERITE HILL GRID

The Laterite Hill Grid is located in the south-western portion of the Bonsiega Project (Figure 3). It covers an area of approximately 60 square kilometres, including a series of large shear zones interpreted from aeromagnetic data, some of which coincide with extensive power auger gold anomalies.

The extent of power auger assay coverage completed in the 2011 program is shown in Figure 4. Auger holes were drilled on reconnaissance lines 400 metres apart with follow-up infill sampling on 200 metres spaced lines. 5,371 holes were drilled for a total depth of 22,965 metres. Coverage was limited in areas where superficial cover could not be penetrated; this was a particular problem in the vicinity of the Sirba River (Figure 4).

Wherever possible, samples were collected at the interface between surficial materials (laterite or alluvium) and weathered bedrock and from the weathered bedrock itself. If the holes did not penetrate through to weathered

bedrock, samples were taken at the bottom of hole.

Figure 5 shows that PDI has now identified over 16 kilometres of anomalies exceeding 50 ppb Au on the Laterite Hill Grid. The Company considers that gold anomalies in Burkina Faso with values above 50 ppb Au are significant and likely to reflect underlying gold mineralisation. Most of these anomalies are very broad, suggesting the presence of multiple gold-bearing lodes within them.

The power auger results also suggest that the structurally controlled Dave gold anomaly may persist to the west for an additional 1.8 kilometres below alluvial sediments under the Sirba River. Thus, sampling on the first line to the west of Dave obtained up to 0.4 g/tAu in weathered bedrock. In addition, the western extension of the fault controlling the Dave-Dave East mineralised system is completely untested over a further eight kilometres because of power auger sampling difficulties beneath the course of the Sirba River.

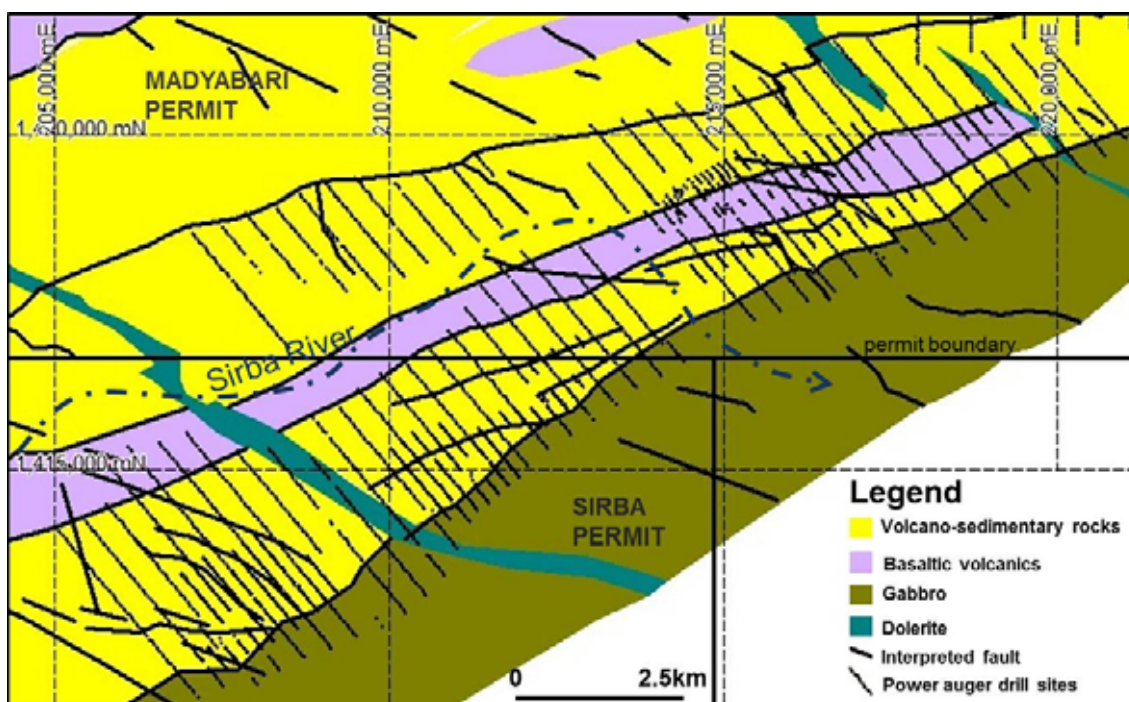


Figure 4: Laterite Hill Grid: power auger drill hole locations from the 2011 program superimposed on PDI's geological interpretation map. Note that the power auger could not obtain sample through damp alluvial sediments beneath the Sirba River water course, hence the gap in sampling there.

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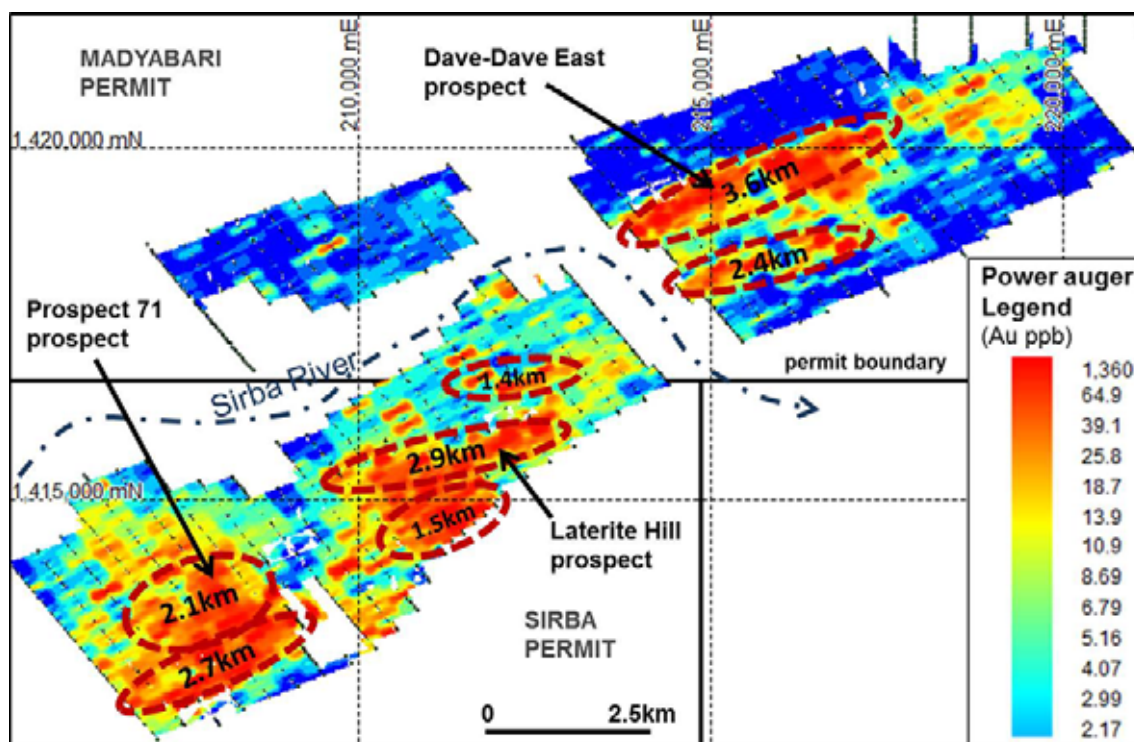


Figure 5: Gridded Laterite Hill Grid power auger gold geochemical results annotated with the lengths of the plus 50ppb gold anomalies identified by PDI.

DAVE-DAVE EAST PROSPECT

Background

The Dave Prospect was identified by a Canadian company, Emerging African Gold, which undertook a modest program of shallow RC drilling beneath shallow artisanal workings in 1996-97. Holes were drilled to a maximum vertical depth of approximately 35 metres over an area measuring approximately 700 by 80 metres. This resulted in a series of ore grade and width intercepts including 12 metres at 5.0 g/t Au, 10 metres at 2.4 g/t Au, 22 metres at 1.2 g/t Au and 2 metres at 9.4 g/t Au.

The Dave East extension was unknown until PDI discovered it during the course of the Laterite Hill power auger geochemical program.

RC Drilling

RC drilling was carried out in June and early July 2011 to test the prospect's potential for a large, open pittable gold deposit. RC drilling totalling 6,340 metres in 72 holes was completed on

twelve 200 metres spaced lines. The program was designed to test the very broad zones of bedrock anomalism (averaging 300 metres width) delineated previously by PDI power auger sampling. The RC drilling tested a total strike length of two kilometres in two 1,000 metres long blocks out of the known 3.6 kilometres extent of the Dave to Dave East power auger gold anomaly.

All RC holes were drilled towards the north-west on an azimuth of 320 degrees at an inclination of -50 degrees. Drill collars were placed 40 metres apart on lines thereby ensuring vertical overlap between holes. Design drill depths were either 80 or 90 metres, however some were extended to provide coverage beneath areas where surface conditions prevented drill rig access. Down hole trajectories were surveyed using a gyroscopic instrument. Drill holes were sampled in two metre intervals and submitted for gold analysis by fire assay.

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Analytical standards and blanks were added at regular intervals for quality control assurance.

The drilling mainly encountered strongly weathered mafic volcanics and volcanoclastic sediments with minor mafic intrusives. Quartz veining was common with disseminated pyrite noted in fresher rock at the bottom of some of the holes. The base of strong weathering was generally encountered about 75 metres down hole or approximately 60 metres below surface.

Anomalous gold (plus 0.1 g/t Au) was found throughout the holes and 110 intervals of gold mineralisation at a cutoff grade of 0.25 g/t Au were recorded. Assay highlights are provided in Table 1. The best drill intercept, 46 metres at 1.7 g/t Au including 26 metres at 2.7 g/t Au, was obtained on the easternmost line drilled (Figure 7).

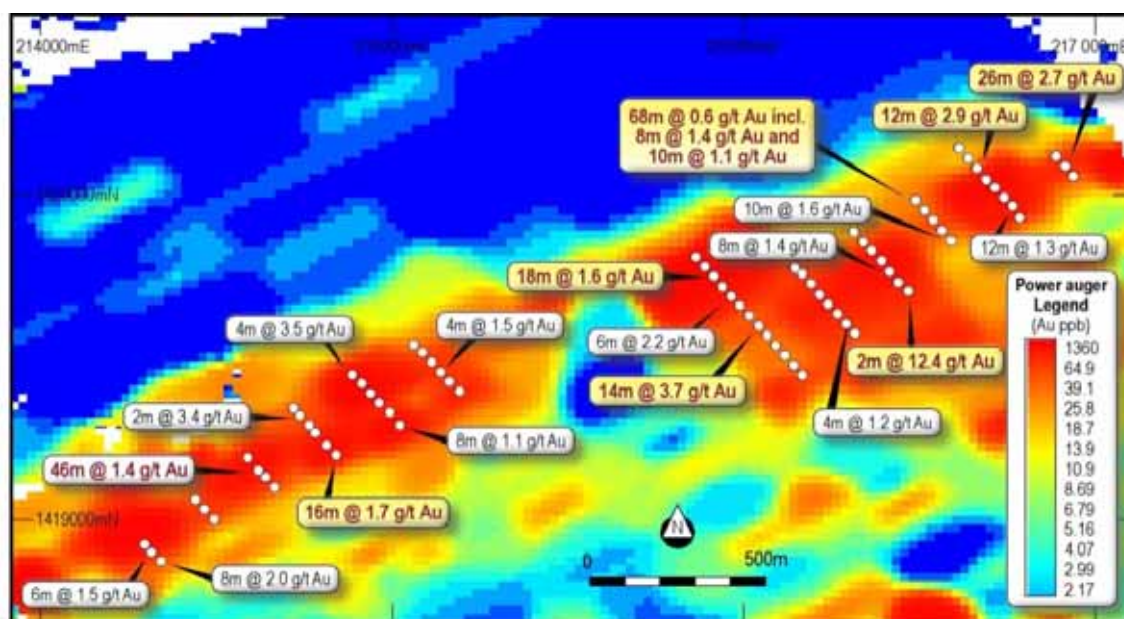


Figure 6: Dave-Dave East RC drill result highlights superimposed on colour map of gridded power auger geochemistry data.

Table 1 – Dave-Dave East Prospect Drill Assay Highlights

Hole number	Collar Coordinates		Low grade cut-off			Higher grade intervals		
	UTM East	UTM North	From (m)	Interval (m)	Average Au (g/t)	From (m)	Interval (m)	Average Au (g/t)
DAVRC005	216480	1419764	34	8	1.4	34	8	1.4
DAVRC006	216505	1419732	80	4	2.5	80	4	2.5
DAVRC007	216534	1419705	72	2	12.4	72	2	12.4
DAVRC010	216735	1420081	50	12	2.9	50	12	2.9
DAVRC014	216839	1419966	34	12	1.3	42	4	2.6
DAVRC019	214638	1419152	16	46	1.4	16	8	1.4
DAVRC019	214638	1419152				32	12	1.4
DAVRC019	214638	1419152				54	8	4.0

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Table 1 – Dave-Dave East Prospect Drill Assay Highlights (continued)

Hole number	Collar Coordinates		Low grade cut-off			Higher grade intervals		
	UTM East	UTM North	From (m)	Interval (m)	Average Au (g/t)	From (m)	Interval (m)	Average Au (g/t)
DAVRC026	214837	1419230	66	16	1.7	70	6	4.0
DAVRC027	214912	1419446	50	4	3.5	50	4	3.5
DAVRC034	214353	1418874	48	8	2.0	48	8	2.0
DAVRC036	215051	1419291	52	8	1.1	52	8	1.1
DAVRC044	216071	1419629	66	14	3.7	66	14	3.7
DAVRC050	215966	1419751	16	18	1.6	16	2	7.8
DAVRC051	215992	1419719	66	8	1.7	66	6	2.2
DAVRC065	216556	1419984	2	68	0.6	6	10	1.1
DAVRC065	216556	1419984				32	8	1.4
DAVRC066	216659	1419859	62	10	1.6	62	4	3.4
DAVRC068	216992	1420088	22	46	1.7	22	26	2.7

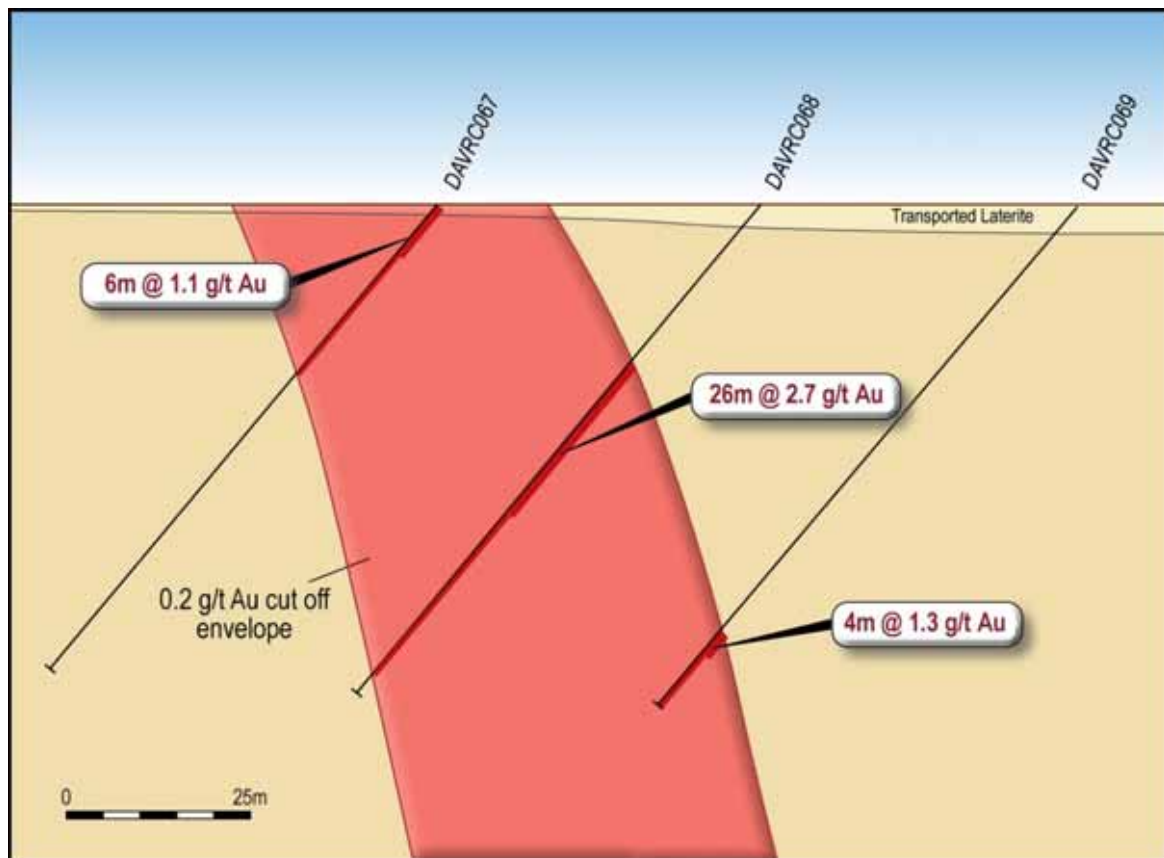


Figure 7: Cross-section facing east through the easternmost drill line on the Dave East Prospect.

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FOULI PROSPECT

Background

The Fouli Prospect is located in the eastern portion of the Bonsiega Project (Figure 2). Artisanal workings at this site cover a large area, approximately 2,000 metres long by 700 metres wide. Earlier RAB drilling by PDI and its joint venture partner, Eldore Mining Corporation Limited, obtained encouraging results from shallow depths in weathered bedrock including 23 metres at 2.6 g/t Au, 15 metres at 2.3 g/t Au and 6 metres at 4.9 g/t Au.

Power Auger Drilling

A power auger program was carried out in

November-December 2010. It was designed to test the western, northern and north-eastern extensions of the bedrock gold values encountered in the earlier RAB drilling. 321 power auger holes were drilled for a total of 2,099 metres. As at Laterite Hill, samples were collected at the interface between surficial materials (laterite or alluvium) and weathered bedrock and from the weathered bedrock itself. If the holes did not penetrate through to weathered bedrock, samples were taken at the bottom of hole. Samples were assayed for gold by AAS with a detection limit of 2ppb.



Power auger drilling on Laterite Hill Grid

REVIEW OF OPERATIONS

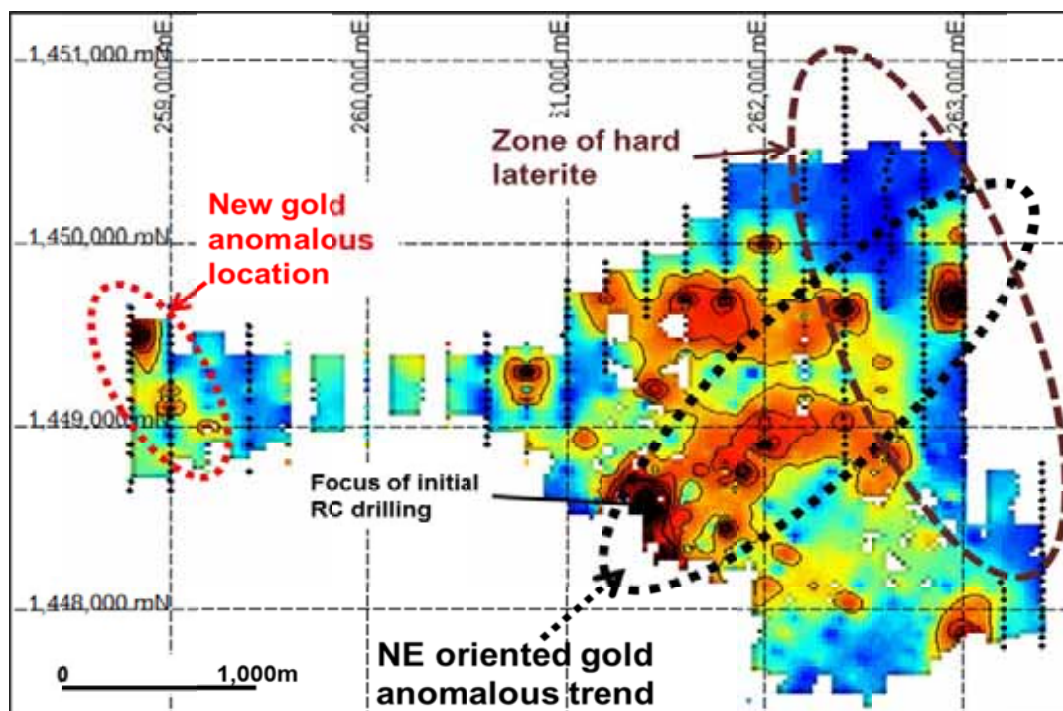


Figure 8: Fouli prospect: gridded and contoured values obtained from both the earlier RAB drilling and the recent auger sampling. The small black diamonds represent auger sample sites. Values for the RAB holes were calculated by averaging the top 8 metres of each drill hole, thereby matching approximately the position of the auger samples. Contours are at 25ppb (parts per billion) intervals. The location of an area of hard laterite which prevented auger penetration to bedrock in the north-east corner of the prospect is also shown.

This program identified extensions to the bedrock gold anomalism discovered in PDI’s 2010 RAB drilling program including a physically separate zone of gold anomalism on the western edge of the grid (Figure 8). The latter is approximately coincident with a north-west structure noted in PDI’s magnetic surveys. Anomalous values of up to 1g/t Au were obtained on the westernmost line of sampling.

The power auger was only partially successful in investigating the north-east extension of the main north-east trending gold anomalous zone because most of the holes drilled could not penetrate through the hard laterite encountered at this location (Figure 8). Therefore, low gold values obtained from some bottom of hole samples may not be representative of the underlying weathered bedrock. A sample of laterite containing 0.9g/t Au on the easternmost line suggests that the zone may persist beneath the laterite to the north-east.

RC Drilling

The Fouli RC drill program was designed to test two zones where strong bedrock anomalism had been identified in the earlier RAB programs. All holes were drilled towards the west-south-west at an angle of 50 degrees. The holes were designed to test for steep dipping vein sets parallel to a strong quartz vein set observed nearby in outcrop.



RC drilling on the Fouli Prospect

PREDICTIVE DISCOVERY LIMITED

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RC drilling commenced in late December 2010 and was finished on 18 January 2011. A total 17 holes were drilled for a total of 1,744 metres (Figure 9). The first 11 holes were drilled to approximately 120 metres down-hole depth in order to provide overlap from hole to hole in anticipation of encountering a steeply dipping quartz vein set on the first target area, a 400 metre long zone of strong bedrock gold anomalism. The remaining holes were planned

to drill to a down-hole depth of 80 metres, but some fell short of the target depth owing to the presence of excessive groundwater preventing effective sample recovery.

All gold analyses were carried out by fire assay on two metres composites. Standards and blanks were submitted with each sample batch. Gold values exceeding two metres at 1g/t Au were intersected in 15 of the 17 holes drilled. Assay highlights are provided in Table 2.

Table 2 - Fouli Prospect RC Assay Highlights

Hole number	Collar Coordinates		From	To	Interval	Au (g/t)
	UTM East	UTM North				
FORC002	261417	1448490	2	16	14	1.9
FORC004	261457	1448397	12	18	6	1.2
FORC005	261507	1448414	14	16	2	5.5
FORC006	261565	1448333	44	46	2	3.2
FORC006	261565	1448333	72	76	4	1.4
FORC011	261582	1448230	72	76	4	1.8
FORC013	262226	1449072	13	23	10	4.6
FORC015	262230	1449206	34	42	8	1.7

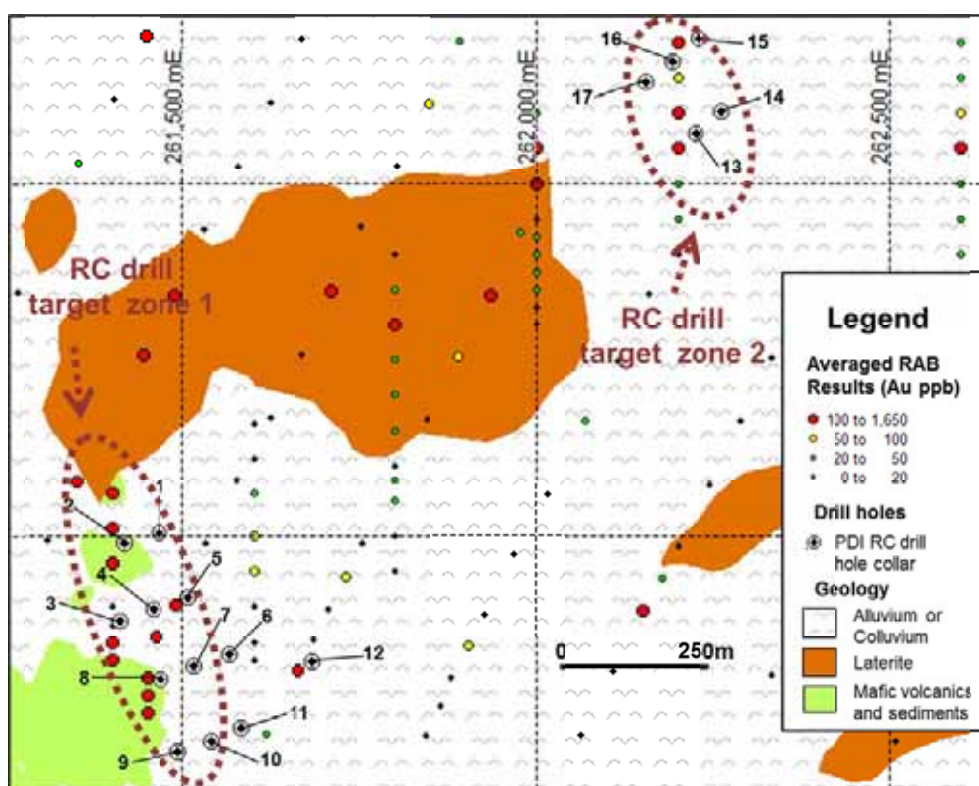


Figure 9: Collar locations of the Fouli Prospect RC program superimposed on PDI geological mapping of the prospect and earlier RAB drilling results.

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REVIEW OF OPERATIONS

Examination of the RAB assays indicates that intercepts of greater than 0.5 g/t Au and with a down-hole width of 4 metres or more are widespread at Fouli. A total of 48 intercepts in RAB and RC have now been obtained from vertical depths of 40 metres or less with an average width and grade of six metres at 1.6 g/t Au. The bulk of these intercepts have been obtained along the north-east trending zone identified in Figure 8. While RAB assays cannot be used in a mineral resource calculation, these results suggest that a shallow oxide resource may be present at Fouli. This possibility is reinforced by the power auger sampling results which suggest that the mineralised system is not closed off either to the east or the west.

OTHER AREAS

Tamfoagou Permit

An aerial magnetic and radiometric survey covering 1,236 line kilometres on 200 metres spaced lines was completed in October 2011 (Figure 10).

Reconnaissance power auger drilling totalling 747 holes and 4,577 metres was carried out on a large part of the permit. Bottom of hole

samples were collected on a 400 x 400 metre spaced grid and assayed using a bulk cyanide leach method. Scattered gold anomalous results were obtained, with a peak value of 644ppb Au.

Eastern Bonsiega Project (Outside Fouli Prospect)

An aerial magnetic and radiometric survey, covering 4,149 line kilometres on 100 metre spaced lines was undertaken over the Fouli, Tantiabongou, Tangagari and Aoura permits in October 2010 (Figure 10). This work identified numerous promising structural targets. This work was followed up with an extensive program of geological mapping covering approximately 180 square kilometres and application of Predictore™ numerical modelling to prioritise new exploration targets for follow-up in the 2011-2012 field season.

A small RC drilling program in January 2010, totalling 877 metres, tested beneath artisanal workings at the Watamtonga Prospect on the Tantiabongou permit (Figure 3). The best intercept was one metre at 3.4g/t Au from a down-hole depth of 25 metres.

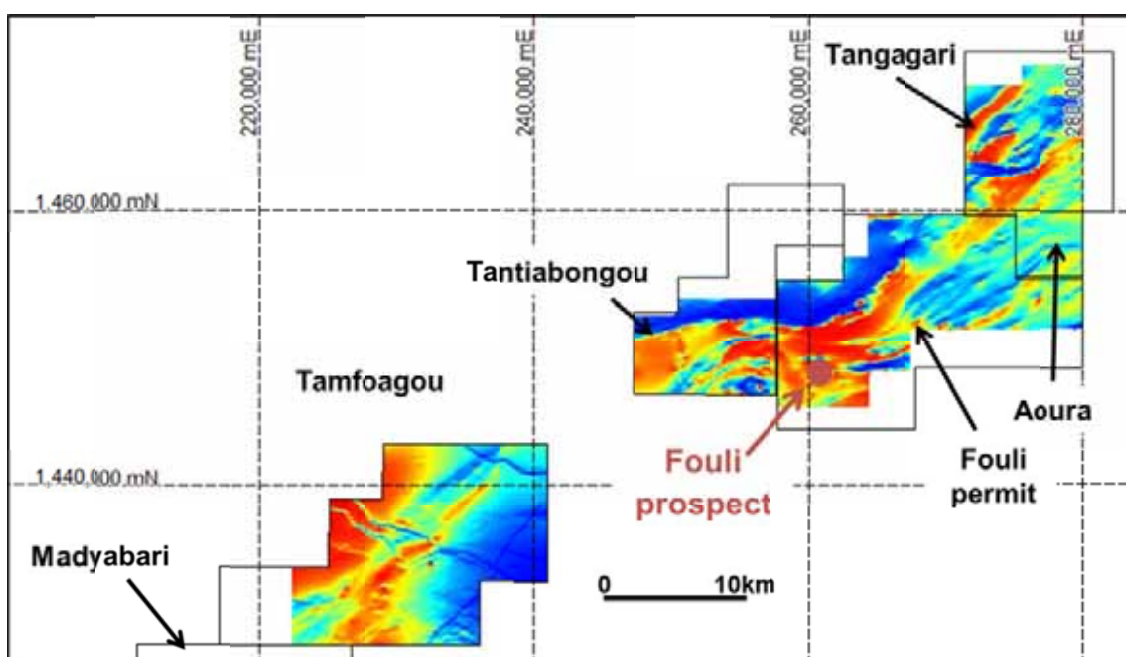


Figure 10: Image of PDI aeromagnetic data collected on the Bonsiega Project in October 2010.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

BANGABA PROJECT

BACKGROUND

The Bangaba Project in Eastern Burkina Faso is located on the Sebba Belt, the next greenstone belt to the north of the Samira Hill Belt, where the Bonsiega Project is located (Figure 2). The permit covers extensive areas of artisanal mining, principally at Solna, Tambiri and Mossiga (Figure 11). Significant quantities of gold have been produced at Bangaba for some 27 years and cumulative gold production is estimated to be several tonnes or more. Artisanal workings extend to up to 90 metres depth in places. Approximately 4,000 people live at the artisanal mining community of Solna, the largest such community in the district.



Inclined artisanal mine shaft

PDI signed an agreement to acquire a 95% interest in the Bangaba exploration permit through a series of option payments in late February 2011. The total value of the transaction in cash and PDI shares is USD540,000. The Company's current equity in the Project stands at 51%.

Permit-wide geological mapping has shown that the known workings are largely located on two large structures on the north-western and south-eastern contacts of a diorite-granodiorite body (Figure 11). These contact zones are largely hidden beneath shallow cover and are each over 10 kilometres long within the permit, suggesting that there is considerable potential to discover additional zones of high grade mineralisation in these areas.

Commencing in April 2011, PDI carried out a total of 3,420 metres of RC drilling at two prospects on Bangaba, Tambiri and Solna. This program aimed to test the down dip extension of mineralised structures below the artisanal workings and to confirm previous high grade results from limited historical drilling.

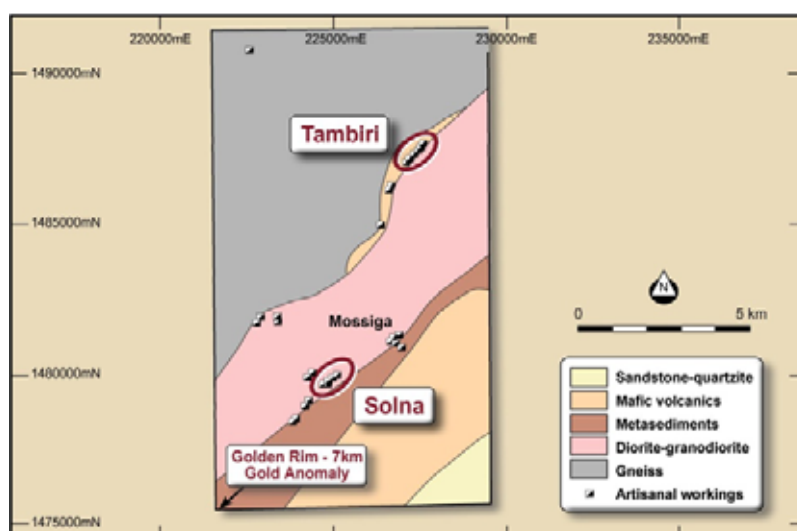


Figure 11: Bangaba geology interpretation derived from PDI geological mapping carried out in April and May 2011. Locations of the two major artisanal mining sites drilled by PDI in the 2010-11 financial year are highlighted in red. Mossiga is a third, as yet untested zone of active artisanal workings. Golden Rim Resources Limited (ASX:GMR) has recently identified a 7 kilometres long soil gold anomaly in the neighbouring permit, extending from the south west corner of the Bangaba permit in a south-westerly direction.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

TAMBIRI PROSPECT

The Tambiri Prospect covers a two kilometre long zone of artisanal workings over a north-east trending quartz vein system. The drilling program tested beneath artisanal workings and historical diamond drill hole intercepts obtained by High River Gold (HRG) in 1996 (Figure 12) at the northern end of that system. HRG's drilling had previously indicated the presence of a significant high grade gold mineralised zone over a strike length of at least 200 metres (Figure 13).

RC Drilling

Ten RC drill holes totalling 1,565 metres were completed in April-May, 2011. They were drilled at inclinations of between 48 and 50 degrees on five sections 80 metres apart and

designed to test the Tambiri vein zone at depths of 80 and 120 metres vertically on each section. Active artisanal workings extend to a vertical depth of 60 to 70 metres through most of the target area, so holes were drilled deeper to avoid intersecting them for both safety and practical drilling reasons.

All holes were gyroscopically surveyed to measure their trajectories. Samples within quartz-rich zones were assayed at one metre intervals, with the remainder being sampled in two metre composites. All samples were analysed for gold by fire assay. Standards and blanks were also analysed in accordance with best working practice.

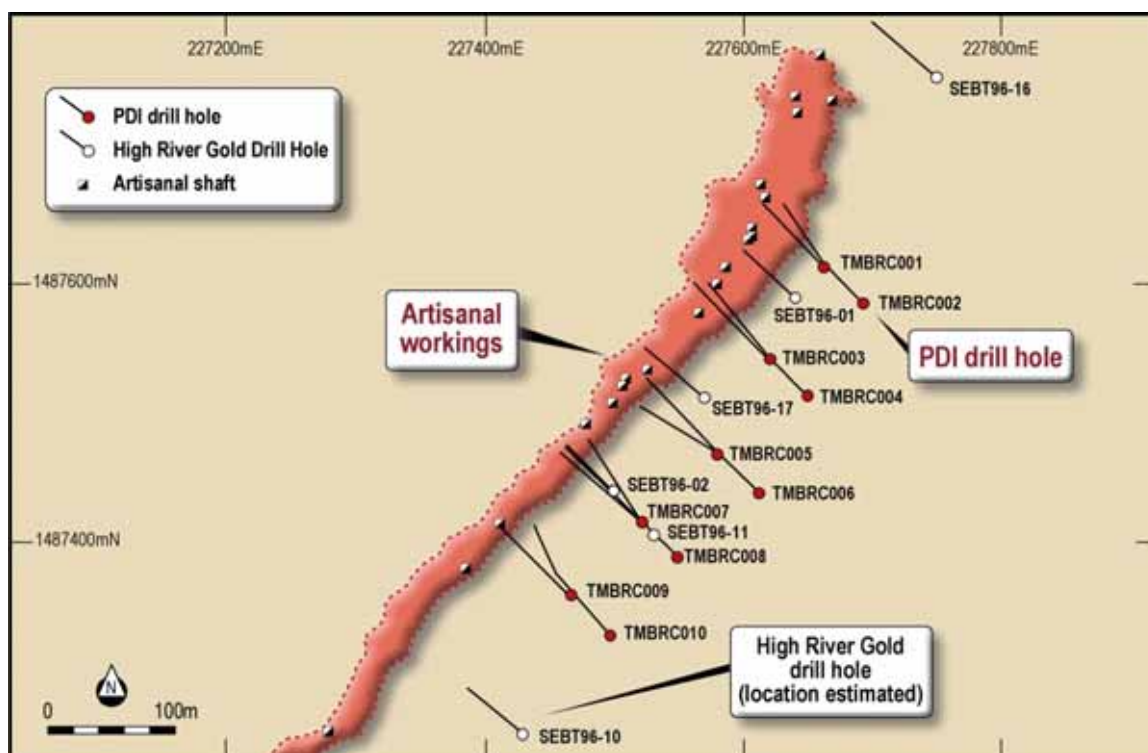


Figure 12: Plan view of the PDI drill collars and drill traces at the northern end of the Tambiri vein system. Approximate positions of the HRG drill holes are also shown (note: the collars of SEBT96-11 and SEBT96-17 have been found but no down hole surveys are recorded for any of the HRG holes). Based on PDI's estimate of the HRG hole positions, it is unlikely that either SEBT96-10 or SEBT96-16, to the south and north of the PDI drilled area respectively, penetrated through the Tambiri vein system.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

All ten holes penetrated the Tambiri vein system which consists of multiple quartz veins, extending over widths of tens of metres, and hosted by sheared and altered mafic volcanics. The average dip of the vein system is inferred to be about 80 degrees to the south-east. Higher gold values are not always associated with high percentages of quartz and some quartz is un-mineralised. In zones of higher gold grades, strong biotite-bearing alteration and traces of base metal sulphides are observed. Weathering is very shallow at Tambiri and none was observed in drill intersections of the vein system.

Assay highlights from the RC drilling are provided in Table 3.

The distribution of gold values in both the PDI RC and the earlier HRG diamond drill holes is

shown on a longitudinal projection of the vein system (Figure 13). Most of the PDI holes were drilled at greater depths than the HRG drill holes. However, PDI's TMBRC007 was drilled adjacent to the deepest of the HRG holes and generated a gold intercept which was both wider and higher in grade than its predecessor (five metres at 17g/t Au vs. two metres at 9.9g/t Au). This provides some confidence in the accuracy of the earlier drill results and suggests that the artisanal miners may have removed part of a very high grade ore shoot in this vein system. Given that the gold appears to be associated with multiple veins and the artisanal miners tend to follow single mineralised veins down until the gold values peter out, it is unlikely that most of the shallow gold has been removed.

Table 3 – Tambiri Prospect RC Drill Assay Highlights						
Hole Number	Collar coordinates		Down hole depth from (m)	Interval (m)	Au (g/t)	Comments
	UTM East	UTM North				
TMBRC001	227,663	1,487,612	94	1	6.3	
TMBRC003	227,621	1,487,540	96	9	2.6	incl. 1m at 13.4g/t Au
TMBRC005	227,580	1,487,469	94	5	2.1	
TMBRC006	227,613	1,487,438	155	12	2.4	incl. 1m at 12.1g/t Au
TMBRC007	227,521	1,487,415	96	5	17.1	incl. 1m at 72g/t Au
TMBRC009	227,466	1,487,358	90	7	2.1	
TMBRC010	227,497	1,487,329	154	4	2.1	

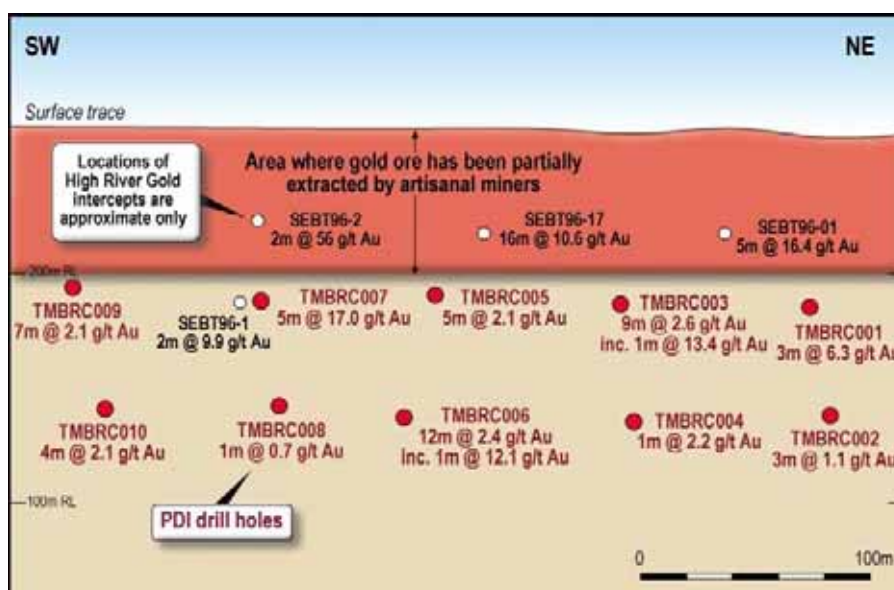


Figure 13: Longitudinal projection of the Tambiri vein system. Mineralised intersection positions are projected on to a vertical plane oriented parallel to the strike of the vein system.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

PDI's drilling indicated that a large part of the vein system is gold anomalous (i.e. gold values exceeding 0.1g/t Au) with all ten holes intersecting broad, anomalous zones of gold. Thus, across the ten PDI RC holes, the zone has an average down-hole width of 20 metres (14 metres true width) and an arithmetic average grade of 1.1 g/t Au. Grades and widths are higher at shallower depths, suggesting that the mineralised zone in the top 100 metres of the vein system has a higher bulk grade than this, even after taking into account gold removal by artisanal miners.

Based on the results of this program, grades and widths appear to decline with depth within the drilled section. It is likely, however, that other high grade ore shoots are present, both along strike and at greater depths. Given the apparent large extent of potentially gold mineralised structure revealed by PDI's mapping, excellent potential for shallow resources, locally containing very high grades, is indicated on the Tambiri trend.

SOLNA PROSPECT

The Solna Prospect covers a 600 metre long zone of artisanal workings on gold-bearing quartz veins in sheared diorite-granodiorite rocks. Quartz veins in the workings are believed to dip at an average of 40 degrees to the south-east.

RC Drilling

Drilling was targeted beneath the main area of the Solna shafts (Figure 14) to test the mineralised quartz veins at vertical depths of 60 to 90 metres, below the deepest of the artisanal workings. Nine holes (including two redrills) totalling 1,855 metres were completed in May 2010. They were drilled at inclinations of between 45 and 50 metres on sections 80 metres apart. Drillhole surveying, sampling and analytical procedures were the same as those followed at Tambiri.

Assay highlights from the RC drilling are provided in Table 4 following.

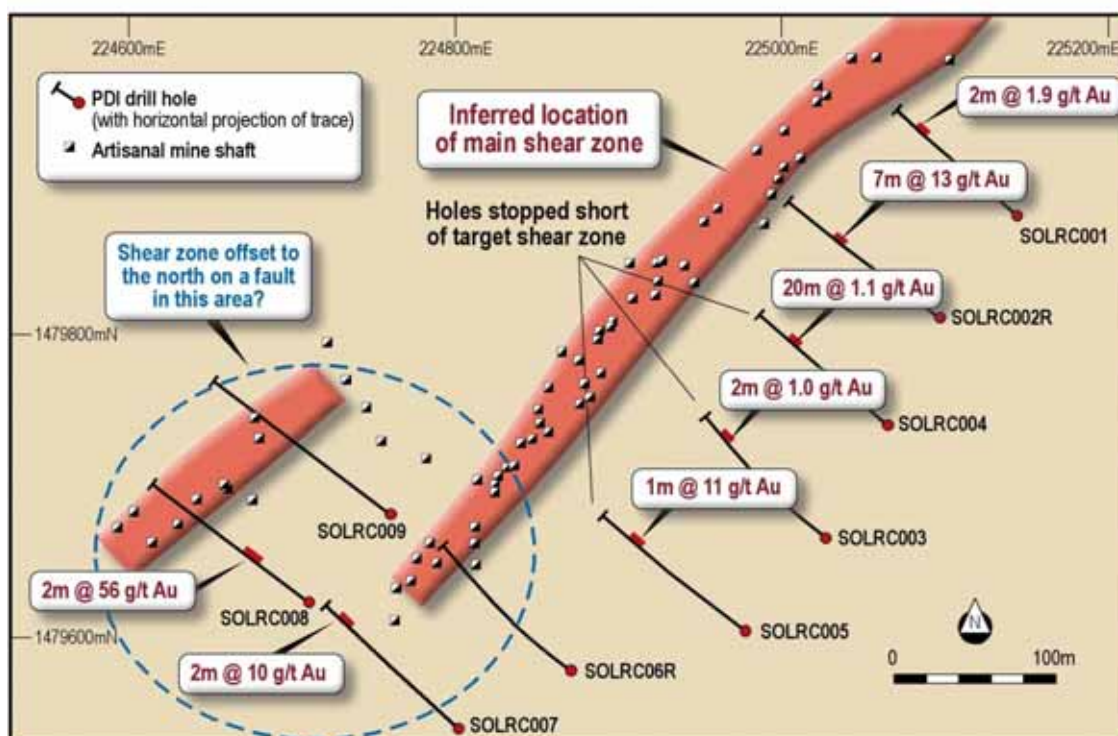


Figure 14: Solna plan view of completed RC holes showing drill locations and assays.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

Table 4 – Solna Prospect RC Drill Assay Highlights

Hole Number	Collar coordinates		Down hole depth from (m)	Interval (m)	Au (g/t)	Comments
	UTM East	UTM North				
SOLRC002R	225096	1479805	117	7	12.8	Includes 1m at 80 g/t Au
SOLRC004	225063	1479735	120	20	1.1	Includes 2m at 7.3 g/t Au
SOLRC005	224973	1479600	133	1	11.4	
SOLRC007	224798	1479537	134	2	10.4	
SOLRC008	224706	1479620	65	2	55.8	Includes 1m at 93 g/t Au

The Solna holes were designed to intersect the down-dip extensions of gold mineralised veins which are being worked by the artisanal miners. Contrary to this expectation, however, it now appears that the target veins are contained in a steeply dipping shear structure which could not be reached because of depth limitations of the RC drill rig. This steep-dipping zone can only be effectively tested by diamond drilling, which is now planned to commence in December 2011.

The above interpretation suggests that Solna's gold potential is in a series of stacked shallow veins located beneath and slightly to the south-east of the shaft zone rather than in the area tested by the majority of the RC holes. Despite this, a number of high grade intercepts were obtained, indicating that there are other mineralised shear positions south-east of the main zone not known to the artisanal miners, including some quite shallow intercepts e.g. SOLRC008 intersected two metres at 55.8 g/t Au from a vertical depth of only 46 metres. In addition, the high grade values, all of which were obtained from vertical depths of 100 metres or less, suggest that this is an intrinsically high grade mineralised system, offering the potential of higher than average resource grades within open pittable depths.



Artisanal gold, Solna Prospect

TYEKANYEBI PROJECT

This wholly owned permit was granted to PDI in December 2010.

Work during the 2010-11 financial year was confined to an aerial magnetic and radiometric survey covering most of the permit on 200 metre spaced lines, totalling 1,324 line kilometres. Follow-up geological mapping and geochemical surveys are planned for the 2011-2012 field season.

BOUSSOUMA PROJECT

PDI acquired rights to purchase 95% of the Boussouma permit in September 2010. PDI can complete the transaction by making a series of cash payments totalling USD200,000 over a three year period.

There were some delays associated with the permit renewal, the permit document being finally received in May 2011. Consequently, no field work was conducted during the 2010-2011 financial year. An aerial magnetic and radiometric survey was flown over the permit in July, however. Follow up geological mapping and geochemical surveys are planned for the 2011-2012 field season.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

AUSTRALIAN PROJECTS

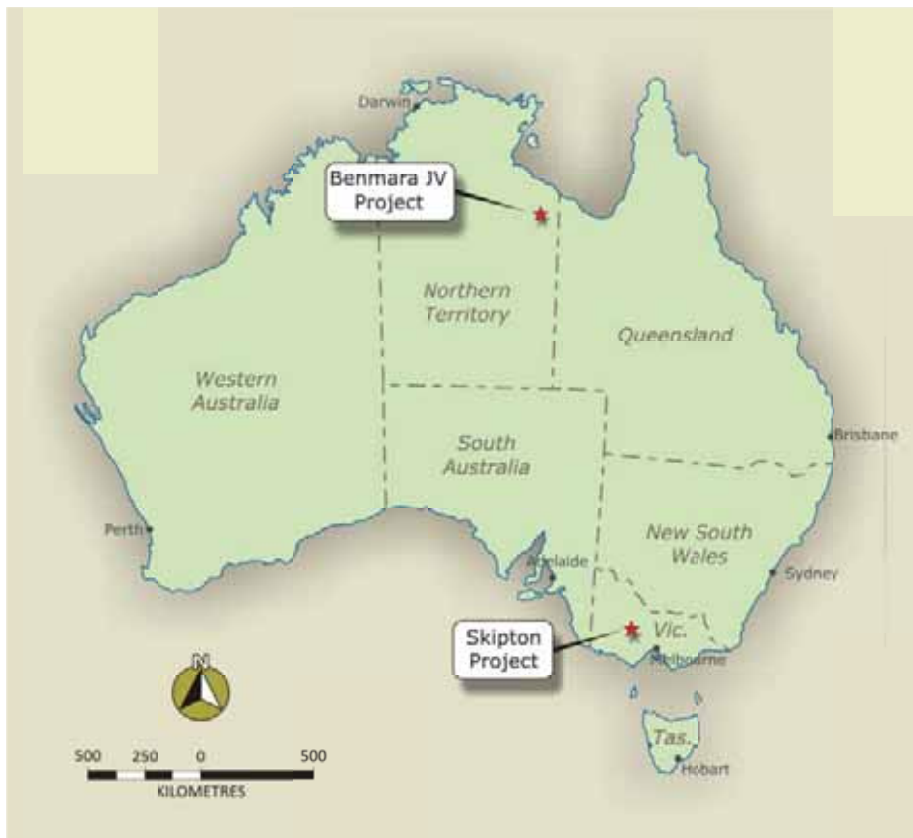


Figure 15: Location of PDI's Australian Projects

BENMARA URANIUM, NORTHERN TERRITORY

BACKGROUND

PDI is farming into one Exploration Licence (EL) held by Lagoon Creek Resources Pty Ltd (LCR) and an adjacent EL covering 98 square kilometres held by Universal Splendour Resources Pty Ltd. (USI). LCR is a wholly owned subsidiary of Laramide Corporation of Canada, which owns the Westmoreland uranium deposits in north-west Queensland. PDI is earning 51% of the LCR's EL 24645 by spending \$2 million and 75% of USI's EL27426 by spending \$400,000. A third wholly owned EL covering 16 square kilometres was applied for during 2010-11 and granted in July 2011.

Geologically, the properties cover a series of drill targets which appear to have very similar characteristics to the Westmoreland uranium ore deposits. In the latter, uranium

mineralisation is mainly located within the Westmoreland Conglomerate on the margins of a north-east trending dolerite dyke and beneath the basaltic Siegal Volcanics. The geology at Benmara contains all of the same elements except that the drill targets are beneath younger Cambrian sandstone cover, which PDI interprets to be between 100 and 150 metres thick. PDI believes that its selected targets have never been drill tested before.

GEOLOGICAL MAPPING

Reconnaissance geological mapping was conducted over EL24645 with the twin aims of assessing the prospectivity of the tenement package and gathering information about the likely shape and thickness of the cover sequence, the Bukalara Sandstone.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

GRAVITY SURVEY

A 782 station gravity survey was carried out over two targets in EL24645 (Figure 16). The results of this survey were then incorporated into geophysical inversion studies using both gravity and magnetic data, which commenced during the 2010-2011 financial year and

continued into the first quarter of 2011-2012. The results of this work were then used in Predictore™ numerical modelling of the drill target areas in preparation for a combined RC and diamond drilling program scheduled to commence in October 2011.

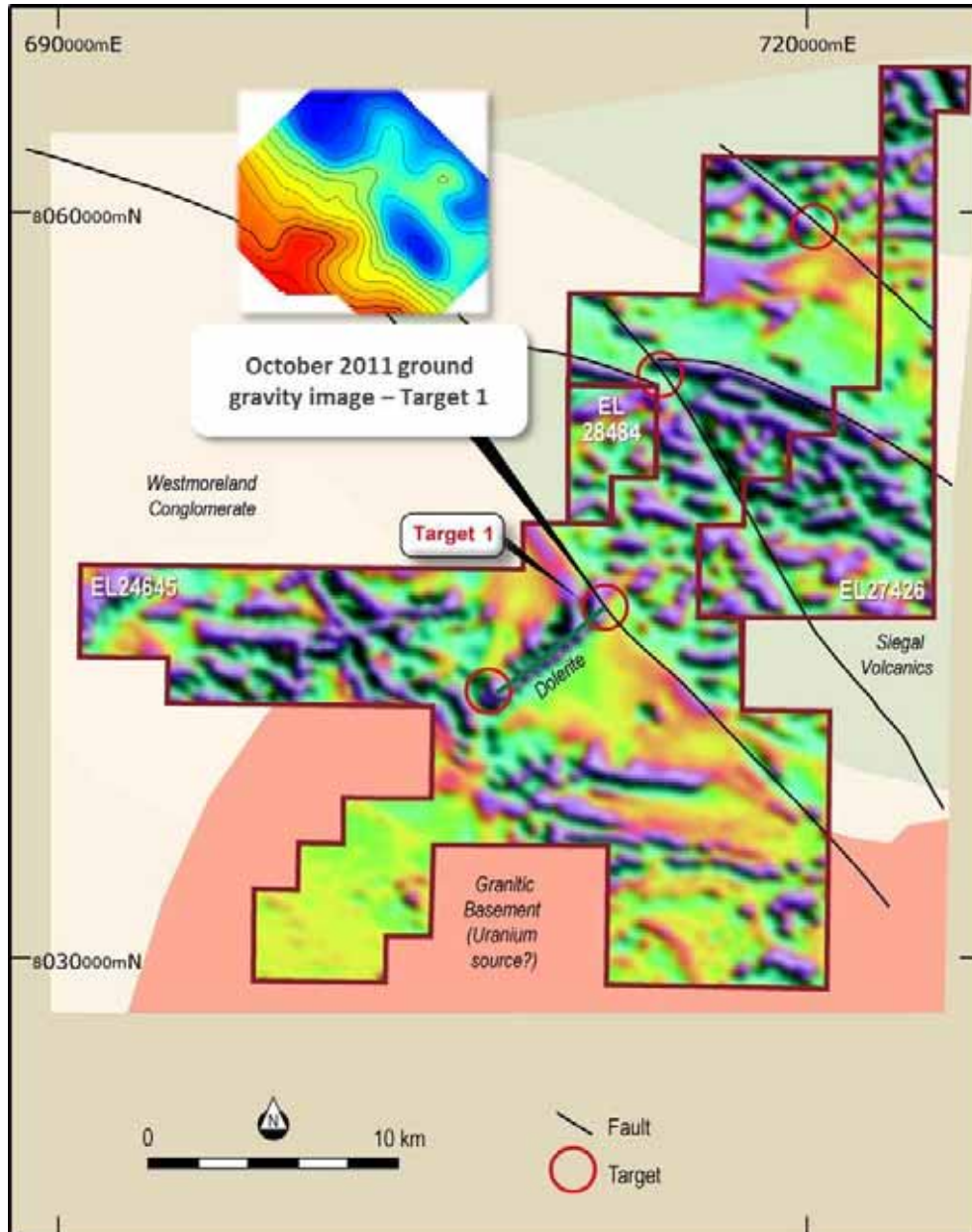


Figure 16: Location of the Benmara ELs superimposed on an aeromagnetic image. A processed and contoured gravity image from the highest priority drill target area is presented as an inset in the top left quarter of the figure.

PREDICTIVE DISCOVERY LIMITED

REVIEW OF OPERATIONS

SKIPTON GOLD, VICTORIA

Work on this project consisted of a gravity survey totalling 793 stations and two lines of magneto-telluric (MT) surveys. The purpose of this work was to outline a possible concealed volcanic dome under basalt cover (like those at the 5 million ounce Stawell gold deposit in Western Victoria) which was tentatively interpreted from the 2010 reconnaissance gravity survey. The northern MT line identified a resistive feature at depth in its eastern half which might represent a concealed volcanic dome, and which therefore supports the large Stawell-like conceptual gold target that PDI is pursuing.

CORPORATE

PDI listed on 1 December 2010, following a heavily oversubscribed IPO, having raised \$8 million. The Company also raised \$1 million in seed capital prior to the IPO in August 2010.

The Company's Burkina Faso team grew to 24 staff including seven geologists. In addition, PDI appointed a highly experienced Exploration Manager, Mr David Pascoe, commencing in early July 2011. The Company is therefore now well placed to prosecute an aggressive exploration program in the 2011-2012 financial year.

OUTLOOK

PDI has planned an aggressive exploration program for the 2011-12 financial year. The Company has contracted 18,000m of RC drilling and at least 3,000m of diamond drilling for the field season commencing in October 2011. Additional drilling contracts are also under discussion. In addition, the Company is evaluating other opportunities in Burkina Faso and more generally in West Africa with a view to expanding its property portfolio into other highly prospective belts. Given ongoing good drill results, PDI aims to announce a maiden resource in the first quarter of 2012-13.

Competent Persons Statement

The exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr Paul Roberts (Fellow of the Australian Institute of Geoscientists). Mr Roberts is a full time employee of the company and has sufficient experience relevant to the style of mineralisation and type of deposits being considered to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition). Mr Roberts consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT

30 JUNE 2011

Your directors present their report for the financial year ended 30 June 2011.

The names of the directors in office at any during, or since the end of the year are:

NAMES	POSITION
Mr Phillip Harman	Non-Executive Chairman
Mr Paul Roberts	Managing Director
Dr Thomas Whiting	Non-Executive Director
Dr Robert Danchin	Non-Executive Director
Mr Philip Henty	Non-Executive Director

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

COMPANY SECRETARY

Mr Ian Hobson holds a bachelor of business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretarial and corporate, management and accounting advice to a number of listed public companies involved in the resource, mining services and oil and gas industries. He was appointed on 17 September 2010.

Mr Mel Drummond held the position of joint Company Secretary until 24 May 2011.

PRINCIPAL ACTIVITIES

During the financial year, the principal activity of The Group was mineral exploration with the objective of identifying and developing economic reserves in West Africa and Australia.

OPERATING RESULTS FOR THE PERIOD

The consolidated loss of The Group for the financial year after providing for income tax amounted to \$(1,412,255) (2010: \$182,605). This was largely from the costs of administering The Group to 30 June 2011 and paying key management personnel remuneration for their services.

REVIEW OF OPERATIONS

In the year to June 2011, Predictive Discovery Limited (PD) listed on the Australian Securities Exchange, acquired a number of new properties and undertook a very substantial work program. Capital raisings during the year totalled \$9 million: \$1 million in August 2010 and \$8 million raised at IPO prior to listing on the ASX on 1 December 2010. PD's Burkina Faso team grew to 24 staff in order to enable the company to prosecute an aggressive gold exploration program there. Option agreements were concluded on four exploration permits in Burkina Faso, covering a total area of 397 square kilometres. A farm-in agreement was also concluded on a 98 square kilometre Exploration Licence in the Northern Territory adjacent to the Company's Benmara property.

During the year, intense exploration was carried out in Burkina Faso, particularly on the Madyabari, Sirba, Bangaba and Fouli exploration permits. 42,000 metres of drilling was completed, consisting of 12,000 metres of reverse circulation and 30,000 metres of power auger drilling.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT.....

30 JUNE 2011

OPERATING RESULTS & REVIEW OF OPERATIONS FOR THE PERIOD (continued)

Over 300 square kilometres of tenement area was geologically mapped and 7,000 line kilometres surveyed with airborne magnetics and radiometrics. The Predictor™ technology was applied to understanding known mineralisation at the Fouli prospect and to make predictions of other high priority target areas elsewhere in PD's Burkina tenement package. Highly promising drill results were obtained at various prospects including 26 metres at 2.7 g/t Au at Dave East (Madyabari permit), 5 metres at 17.1 g/t Au at Tambiri (Bangaba permit) and 10 metres of 4.6g/t Au at Fouli (Fouli permit). In addition, power auger sampling revealed over 16 kilometres of weathered bedrock gold anomalism on the Laterite Hill Grid (Sirba and Madyabari permits).

In Australia, PD undertook ground geophysical and geological surveys on the Benmara and Skipton projects. At Benmara, a gravity survey was completed on two target areas and at Skipton, reconnaissance gravity and electrical geophysical surveys were carried out on the Exploration Licence.

Project generation activities continued throughout the year, focussing principally on West Africa.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

FINANCIAL POSITION

The net assets of The Group have increased by \$7,191,091 from 30 June 2010 to \$8,872,688 at 30 June 2011. This increase is largely due to the following factors:

- \$9,050,000 capital raising;
- Expenditure on exploring and evaluating the assets in Burkina Faso; and
- Purchase of plant and equipment to develop the West African operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in The Group's state of affairs occurred during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

On 21 July 2011, The Group issued 500,000 unlisted options to an employee, exercisable at \$0.31 per share and expiring on 11 July 2015, as an incentive under the employee option plan.

On 17 August 2011, The Group announced a capital raising comprising a share placement of 14,081,821 new ordinary fully paid shares, at \$0.185 per share, Acorn Capital Ltd to raise a total of \$2,605,137 and a pro rata non-renounceable rights issue to subscribe for one (1) new fully paid ordinary share for every eight (8) ordinary shares held by Eligible Shareholders at \$0.185 cents per share to raise up to a further \$2,570,077 before costs of the issue. The record date to determine entitlements for eligible shareholders is 5:00pm AWST on 30 August 2011.

New shares issued under the rights issue will rank equally with ordinary shares already on issue. Under the rights issue, The Group will issue up to a maximum of 13,892,313 new ordinary shares, resulting in a total of up to 125,030,815 fully paid ordinary shares on issue.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT.....

30 JUNE 2011

FUTURE DEVELOPMENTS

Likely developments in the operations of The Group and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to The Group.

ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation. The Board believes that The Group has adequate systems in place for the management of its environmental regulations and is not aware of a breach of those environmental requirements as they apply to The Group.

INFORMATION ON DIRECTORS

Mr Phillip Harman	Non-Executive Chairman
Qualifications	BSc (Hons), MAusIMM, MAICD
Experience	Mr Harman is a professional geophysicist who spent more 30 years working for BHP Billiton in minerals exploration in a broad number of roles both technical and managerial, both in Australia and overseas. Mr Harman was material in bringing BHP Billiton's proprietary FALCON® airborne gravity gradiometer technology to Gravity Capital Limited in 2001, which was the precursor to Gravity Diamonds Limited.
Interest in Shares and Options	Shareholding: 1,954,688 Optionholding: 900,000
Directorships held in other listed entities during the three years prior to the current year	Flow Energy Limited; Callabonna Uranium Limited and Stellar Resources Limited.
Mr Paul Roberts	Managing Director
Qualifications	BSc, MSc, FAIG, MGSA
Experience	Mr Roberts has a long and successful history in mineral exploration management and mine geology both in Australia and overseas. He was responsible for discovery of the Henty gold deposit and major extensions to the St Dizier tin deposit both in Tasmania, as well as resource evaluations of the Kuridala copper gold deposit in North Queensland, the Bongara zinc deposit in Peru and a number of gold deposits in the Cue and Meekatharra districts in Western Australia.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT.....

30 JUNE 2011

INFORMATION ON DIRECTORS (continued)

Mr Paul Roberts	Managing Director
Experience (continued)	In addition, he led the pmd*CRC's research effort from 2002 to 2007, and therefore has a deep understanding of the practical application of PD technology to mineral exploration. From June 2007 to January 2008, Mr Roberts was responsible for all of CSIRO's mineral exploration related research under the umbrella of the Minerals Down Under National Research Flagship, a program with an annual budget in excess of A\$20 million. Consequently, he possesses a strong understanding of current trends in exploration innovation which he combines with extensive industry experience.
Interest in Shares and Options	Shareholding: 3,320,500 Optionholding: 1,700,000
Directorships held in other listed entities during the three years prior to the current year	None
Dr Thomas Whiting	Non-Executive Director
Qualifications	BSc (Hons), PhD, Grad Dip Fin, MASEG, MAICD
Experience	<p>Dr Whiting is currently a consultant, having retired from BHP Billiton in 2008, after a distinguished career covering 30 years. He is a widely respected explorer with profound insights on the need for innovation in the mineral exploration sector. Dr Whiting was Vice President of Minerals Exploration for BHP Billiton from 2000 to 2004.</p> <p>Earlier in his career, he led the use of innovative reconnaissance airborne geophysical techniques which led to the discovery of the Cannington lead zinc silver mine in North Queensland and the development and deployment of the FALCON® system, the world's first airborne gravity gradiometer.</p>
Interest in Shares and Options	Shareholding: 1,054,688 Optionholding: 600,000
Directorships held in other listed entities during the three years prior to the current year	None

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT.....

30 JUNE 2011

INFORMATION ON DIRECTORS (continued)

Dr Robert Danchin	Non-Executive Director
Qualifications	BSc, BSc (Hons), MSc, PhD, FAusIMM
Experience	<p>Dr Danchin has over 40 years' experience in the exploration industry. He was Chief Executive Officer of Anglo American PLC's Exploration and Acquisition Division and the Anglo American Group's Deputy Technical Director (Geology). From 1997 to 2002, he was an executive director of Anglo American Corporation of South Africa Limited.</p> <p>In 1980, he joined Stockdale Prospecting Limited, (an Australian subsidiary of De Beers) as Chief Geologist based in Australia. He remained with that company for 15 years, eventually becoming Exploration Manager heading up its Australian-based diamond exploration programme.</p>
Interest in Shares and Options	Shareholding: Nil Optionholding: 600,000
Directorships held in other listed entities during the three years prior to the current year	Mineral Deposits Limited
Mr Philip Henty	Non-Executive Director
Qualifications	BA Acc, Dip SIA, F Fin
Experience	<p>Mr Henty has extensive experience in the Australian securities markets. He has worked for nearly 30 years in stockbroking and investments markets. His experience covers the equities, derivatives and fixed interest markets and most aspects of the securities industry from dealing and advice through to management, capital raising, investment management and private investment.</p>
Interest in Shares and Options	Shareholding: 5,976,563 Optionholding: 600,000
Directorships held in other listed entities during the three years prior to the current year	None

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT....

30 JUNE 2011

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr Phillip Harman	6	6	-	-
Mr Paul Roberts	6	6	-	-
Dr Thomas Whiting	6	5	-	-
Dr Robert Danchin	6	5	-	-
Mr Philip Henty	6	6	-	-

INDEMNIFYING OFFICERS OR AUDITORS

The Group has paid premiums to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of The Group, other than conduct involving a wilful breach of duty in relation to The Group. The terms and conditions of the insurance are confidential and cannot be disclosed.

OPTIONS

At the date of this report, the unissued ordinary shares of Predictive Discovery Limited under option, including those options issued during the year and since 30 June 2011 to the date of this report are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
20 August 2010	20 August 2015	0.25	6,000,000
21 July 2011	21 July 2015	0.31	500,000
			<hr/> <hr/> 6,500,000

During the year ended 30 June 2011, no ordinary shares of Predictive Discovery Limited were issued on the exercise of options granted.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceeding on behalf of The Group or intervene in any proceedings to which The Group is a party for the purpose of taking responsibility on behalf of The Group for all or any part of those proceedings.

The Group was not a party to any such proceeding during the year.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT....

30 JUNE 2011

NON AUDIT SERVICES

The Board of Directors in accordance with the advice from the audit committee is satisfied that no provision of non-audit services was provided by the auditors during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditors' independence declaration for the year ended 30 June 2011 has been received and can be found on page 34 of the financial report.

REMUNERATION REPORT (AUDITED)

REMUNERATION POLICY

It is the policy of the Company that, except in special circumstances, non executive directors normally be remunerated by way of fixed fees, should not receive a bonus or options and should not be provided with retirement benefits other than statutory superannuation.

The Board, within the limit pre-approved by shareholders, determines fees payable to individual non executive directors. The remuneration level of any executive director or other senior executive is determined by the Board after taking into consideration levels that apply to similar positions in comparable companies in Australia and taking account of the individual's possible participation in any equity based remuneration scheme. The Board may use industry wide data gathered by independent remuneration experts annually as its point of reference. Options or shares issued to any director pursuant to any equity based remuneration scheme require approval by shareholders prior to their issue. Options or shares granted to senior executives who are not directors are issued by resolution of the Board.

It is the policy of the Company that persons to whom options have been issued should not enter into any transaction in any associated product which is designed to limit the economic risk of participating in unvested entitlements under an equity based remuneration scheme.

There are no schemes for retirement benefits, other than the payment of the statutory superannuation contribution for non executive and executive directors.

All executives receive a base salary (which is based on factors such as qualifications, expertise, experience etc.), superannuation and fringe benefits and are eligible for the grant of options under the Employee Option Plan.

The Board policy is to remunerate non executive directors at market rates for comparable companies for the time, commitment and responsibilities.

The fees payable to individual non executive directors must be determined by the Board within the aggregate sum of \$500,000 per annum provided for under clause 21.1 of the constitution. That aggregate sum can only be increased with the prior approval of the shareholders of the Company at a general meeting. A non executive director is entitled to a refund of approved expenditure and may also receive payments for consultancy work contracted for and performed separately on the Company's behalf.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT....

30 JUNE 2011

REMUNERATION REPORT (continued)

REMUNERATION POLICY

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company, Directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future.

PERFORMANCE-BASED REMUNERATION

Performance based remuneration for key management personnel is limited to granting of options.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The issue of options to the majority of directors and executives is to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

PERFORMANCE CONDITIONS LINKED TO REMUNERATION

The Group's remuneration of key management personnel does not include any performance conditions.

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

The following table provides employment details of persons who were, during the financial year, members of key management personnel of The Group, and to the extent different, among the five Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non performance-based and the proportion of remuneration received in the form of options.

Key Management Personnel	POSITION HELD AS AT 30 JUNE 2011	NON-SALARY			TOTAL %
		CASH-BASED INCENTIVES %	OPTIONS/ RIGHTS %	FIXED SALARY/FEES %	
Mr Phillip Harman	Non-Executive Chairman	-	44	56	100
Mr Paul Roberts	Managing Director	-	28	72	100
Dr Thomas Whiting	Non-Executive Director	-	43	57	100
Dr Robert Danchin	Non-Executive Director	-	43	57	100
Mr Philip Henty	Non-Executive Director	-	43	57	100
Ian Hobson	Company Secretary	100	-	-	100

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT....

30 JUNE 2011

REMUNERATION REPORT (continued)

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES.....

The employment terms and conditions of key management personnel and group executives are formalised upon each Director's appointment. All non-executive directors are remunerated on a monthly basis with no fixed term or termination benefits.

Paul Roberts, Managing Director, has entered into a contract of employment that requires 12 months' notice of voluntary termination of employment that entitles Mr Roberts to \$250,000 as a termination benefit.

REMUNERATION DETAILS FOR THE PERIOD ENDED 30 JUNE 2011

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of The Group and, to the extent different, the five Group executives and five company executives receiving the highest remuneration:

Table of Benefits and Payments for the Period Ended 30 June 2011

		SALARY, FEES AND LEAVE	OTHER	PENSION AND SUPER- ANNUATION	OTHER	SHARES/ UNITS	OPTIONS/ RIGHTS	TOTAL
		\$	\$	\$	\$	\$	\$	\$
KEY MANAGEMENT PERSONNEL								
Mr Phillip Harman	2011	45,873	-	4,128	-	-	-	50,001
Mr Paul Roberts	2011	162,856	-	32,397	-	-	-	195,253
	2010	70,461	-	9,189	-	-	-	79,650
Dr Thomas Whiting	2011	-	-	35,000	-	-	-	35,000
Dr Robert Danchin	2011	32,110	-	2,890	-	-	-	35,000
Mr Philip Henty	2011	-	-	35,000	-	-	-	35,000
	2010	-	-	-	-	-	-	-
Mr Ian Hobson	2011	108,586	-	-	-	-	-	108,586
	2010	-	-	-	-	-	-	-
Mrs Lisa Norden	2011	34,375	-	-	-	-	-	34,375
	2010	14,595	-	-	-	-	-	14,595
Mr Mel Drummond	2011	33,868	-	-	-	-	-	33,868
Total Key Management Personnel	2011	417,668	-	109,415	-	-	-	527,083
	2010	85,056	-	9,189	-	-	-	94,245

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT....

30 JUNE 2011

REMUNERATION REPORT (continued)

SECURITIES RECEIVED THAT ARE NOT PERFORMANCE-BASED

No members of key management personnel received securities during the period which were not dependent upon the performance of The Group's share price as part of their remuneration package.

CASH BONUSES, PERFORMANCE-RELATED BONUSES AND SHARE-BASED PAYMENTS

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

KEY MANAGEMENT PERSONNEL	REMUNERATION TYPE	GRANT DATE	GRANT VALUE	PERCENTAGE VESTED/PAID DURING THE PERIOD	PERCENTAGE FORFEITED DURING PERIOD	PERCENTAGE REMAINING AS UNVESTED
			\$	%	%	%
Mr Phillip Harman	Options	20 August 2010	39,210	100	-	-
Mr Paul Roberts	Options	20 August 2010	74,224	100	-	-
Dr Thomas Whiting	Options	20 August 2010	26,140	100	-	-
Dr Robert Danchin	Options	20 August 2010	26,140	100	-	-
Mr Philip Henty	Options	20 August 2010	26,140	100	-	-
Mr Mel Drummond	Options	20 August 2010	8,713	100	-	-

All options were issued by Predictive Discovery Limited and entitle the holder to 1 ordinary share in Predictive Discovery Limited for each option exercised.

There have not been any alterations to the terms or conditions of any grants since grant date.

DESCRIPTION OF OPTIONS/RIGHTS ISSUED AS REMUNERATION

Details of the options granted as remuneration to those key management personnel and executives listed in the previous table are as follows:

GRANT DATE	ISSUER	ENTITLEMENT ON EXERCISE	DATES EXERCISABLE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	AMOUNT PAID/PAYABLE BY RECIPIENT
				\$	\$	\$
20 August 2010	Predictive Discovery Limited	1 Ordinary Share in Predictive Discovery Limited	On or before 20/08/2015	0.25	0.04	-

Option values at grant date were determined using the Black-Scholes method.

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' REPORT....

30 JUNE 2011

REMUNERATION REPORT (continued)

END OF THE REMUNERATION REPORT

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'P. Roberts', is written above a horizontal line.

Paul Roberts

Managing Director
30 September 2011

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PREDICTIVE DISCOVERY LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, as lead audit partner for the audit of the financial statements of Predictive Discovery Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.



NEXIA ASR
A.B.N. 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne

Date: 30 September 2011

PREDICTIVE DISCOVERY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	2011 \$	2010 \$
Finance income		206,112	10,205
Exploration expenditure written off		-	(17,817)
Share based payments		(261,742)	-
Administrative expenses		(1,256,483)	(174,993)
Exploration expenditure		(100,142)	-
Profit (loss) before income taxes		(1,412,255)	(182,605)
Income tax expense	2	-	-
Profit (loss) from continuing operations		(1,412,255)	(182,605)
Other comprehensive income		(93,025)	-
Total comprehensive income for the year		(1,505,280)	(182,605)
Profit attributable to:			
Members of the parent entity		(1,505,280)	(182,605)
		<u>(1,505,280)</u>	<u>(182,605)</u>
Earnings per share			
Basic earnings (loss) per share (cents)	12	(0.018)	(0.003)
Diluted earnings (loss) per share (cents)	12	(0.018)	(0.003)

These financial statements should be read in conjunction with the accompanying notes.

PREDICTIVE DISCOVERY LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	NOTE	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	5,208,418	1,174,944
Trade and other receivables	4	325,339	23,814
TOTAL CURRENT ASSETS		<u>5,533,757</u>	<u>1,198,758</u>
NON-CURRENT ASSETS			
Property, plant and equipment	5	287,593	7,593
Exploration expenditure	6	3,925,307	598,939
TOTAL NON-CURRENT ASSETS		<u>4,212,900</u>	<u>606,532</u>
TOTAL ASSETS		<u><u>9,746,657</u></u>	<u><u>1,805,290</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	792,662	110,869
Provisions	9	81,307	12,824
TOTAL CURRENT LIABILITIES		<u>873,969</u>	<u>123,693</u>
TOTAL LIABILITIES		<u>873,969</u>	<u>123,693</u>
NET ASSETS		<u><u>8,872,688</u></u>	<u><u>1,681,597</u></u>
EQUITY			
Issued capital	10	10,349,630	1,915,000
Reserves	11	168,717	-
Accumulated losses		(1,645,659)	(233,403)
TOTAL EQUITY		<u><u>8,872,688</u></u>	<u><u>1,681,597</u></u>

These financial statements should be read in conjunction with the accompanying notes.

PREDICTIVE DISCOVERY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

2011

	ORDINARY SHARES	ACCUMULATED LOSSES	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$	\$	\$	\$	\$
Balance at 1 July 2010	1,915,000	(233,404)	-	-	1,681,596
Profit/(loss) attributable to members of the parent entity	-	(1,412,255)	-	-	(1,412,255)
Other comprehensive income	-	-	-	(93,025)	(93,025)
Total other comprehensive income for the year	-	(1,412,255)	-	(93,025)	(1,505,280)
Shares issued during the year	9,178,400	-	-	-	9,178,400
Transaction costs	(743,770)	-	-	-	(743,770)
Share based payments	-	-	261,742	-	261,742
Sub-total	8,434,630	(1,412,255)	261,742	(93,025)	7,191,092
Balance at 30 June 2011	10,349,630	(1,645,659)	261,742	(93,025)	8,872,688

2010

	ORDINARY SHARES	ACCUMULATED LOSSES	TOTAL
	\$	\$	\$
Balance at 1 July 2009	315,000	(50,798)	264,202
Profit/(loss) attributable to members of the parent entity	-	(182,605)	(182,605)
Other comprehensive income	-	-	-
Total other comprehensive income for the year	-	(182,605)	(182,605)
Shares issued during the year	1,600,000	-	1,600,000
Sub-total	1,600,000	(182,605)	1,417,395
Balance at 30 June 2010	1,915,000	(233,403)	1,681,597

These financial statements should be read in conjunction with the accompanying notes.

PREDICTIVE DISCOVERY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	2011	2010
		\$	\$
CASH FROM OPERATING ACTIVITIES:			
Receipts from customers		55,622	69,527
Payments to suppliers and employees		(1,028,150)	(144,411)
Net cash provided by (used in) operating activities	21	(972,528)	(74,884)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		205,362	10,205
Purchase of property, plant and equipment		(291,906)	(7,593)
Payments for exploration expenditure		(3,118,899)	(611,899)
Net cash provided by (used in) investing activities		(3,205,443)	(609,287)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		9,050,000	1,600,000
Payment of share issue costs		(829,894)	-
Net cash from financing activities		8,220,106	1,600,000
OTHER ACTIVITIES:			
Foreign exchange differences		(8,661)	(3,282)
Net cash used by other activities		(8,661)	(3,282)
Net increase (decrease) in cash held		4,033,474	912,547
Cash and cash equivalents at beginning of period		1,174,944	262,397
Cash and cash equivalents at end of financial period	3	5,208,418	1,174,944

These financial statements should be read in conjunction with the accompanying notes.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

This financial report includes the consolidated financial statements and notes of Predictive Discovery Limited and controlled entities (The Group).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Predictive Discovery Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

These financial statements are presented in Australian dollars, rounded to the nearest dollar.

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Predictive Discovery Limited at the end of the reporting period. A controlled entity is any entity over which Predictive Discovery Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left The Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 18 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) The Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in The Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION (continued)

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated statement of financial position and consolidated statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Subsidiaries are accounted for in the parent entity at cost.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION (continued)

Business Combinations (continued)

through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(B) REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method. The effective interest rate method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(C) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(D) INCOME TAX

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....

(D) INCOME TAX (continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(E) EMPLOYEE BENEFITS

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(E) EMPLOYEE BENEFITS (continued)

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by The Group in respect of services provided by employees up to reporting date.

(F) PROVISIONS

Provisions are recognised when The Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(G) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

The functional currency of each of The Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. All other companies within The Group have Australian dollars as their functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of comprehensive income.

The financial results and position of foreign operations whose functional currency is different from The Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(G) FOREIGN CURRENCY TRANSACTIONS AND BALANCES (continued)

Exchange differences arising on translation of foreign operations are transferred directly to The Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of comprehensive income in the period in which the operation is disposed.

(H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities in the statement of financial position.

(I) FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that The Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) FINANCIAL INSTRUMENTS (continued)

Initial recognition and measurement

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is The Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) FINANCIAL INSTRUMENTS (continued)

Initial recognition and measurement

If during the period The Group sold or reclassified more than an insignificant amount of the held to maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available for sale.

(iv) *Available for sale financial assets*

Available for sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available for sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(J) PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the asset's useful life to The Group commencing from the time the asset is held ready for use.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(J) PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

CLASS OF FIXED ASSET	USEFUL LIFE
Camp under construction	7 - 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of comprehensive income.

Property, plant and equipment is derecognised and removed from the consolidated statement of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss.

Subsequent costs are included in the property, plant and equipment's carrying value or recognised as a separate asset when it is probable that future economic benefits associated with the item will be realised and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss.

(K) EXPLORATION AND DEVELOPMENT EXPENDITURE

Costs Carried Forward

Costs arising from exploration and evaluation activities are carried forward where the rights to tenure for the area of interest are current and such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

Contributions received from third parties in exchange for participating interests in exploration and evaluation tenements (e.g. as part of farm out arrangements) are netted off against the costs carried forward in respect of those tenements in which the third party acquires a participating interest.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(L) IMPAIRMENT OF ASSETS

At each reporting date, The Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information including, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

Non-financial assets, other than inventories, deferred tax assets, assets from employee benefits, investment properties and deferred acquisition costs, are assessed for any indication of impairment at the end of each reporting period. Any indication of impairment requires formal testing of impairment by comparing the carrying amount of the asset to an estimate of the recoverable amount of the asset. An impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually regardless of whether there is any indication of impairment.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. The asset's value in use is calculated as the estimated future cash flows discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks associated with the asset. Assets that cannot be tested individually for impairment are grouped together into the smallest group of assets that generates cash inflows (the asset's cash generating unit).

Impairment losses are recognised in profit or loss. Impairment losses are allocated first, to reduce the carrying amount of any goodwill allocated to cash generating units, and then to other assets of the group on a pro rata basis.

Assets other than goodwill are assessed at the end of each reporting period to determine whether previously recognised impairment losses may no longer exist or may have decreased. Impairment losses recognised in prior periods for assets other than goodwill are reversed up to the carrying amounts that would have been determined had no impairment loss been recognised in prior periods.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(M) TRADE AND OTHER PAYABLES

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by The Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(N) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

(O) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in The Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(P) EARNINGS PER SHARE

Basic loss per share is calculated as net loss attributable to members of The Group divided by the weighted average number of ordinary shares. Diluted loss per share is calculated by adjusting the net loss attributable to members of The Group and the number of shares outstanding for the effects of all dilutive potential ordinary shares, which include shares options.

(Q) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, from the proceeds.

(R) SHARE-BASED PAYMENT TRANSACTIONS

Employees of The Group receive remuneration in the form of share based payment transactions, whereby employees render services in exchange for equity instruments ("equity settled transactions").

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(R) SHARE-BASED PAYMENT TRANSACTIONS (continued)

When the goods or services acquired in a share based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

The cost of equity settled transactions and the corresponding increase in equity is measured at the fair value of the goods or services acquired. Where the fair value of the goods or services received cannot be reliably estimated, the fair value is determined indirectly by the fair value of the equity instruments using the Black Scholes option valuation technique.

Equity-settled transactions that vest after employees complete a specified period of service are recognised as services are received during the vesting period with a corresponding increase in equity.

(S) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within The Group.

Key estimates – Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to The Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost to sell or value-in-use calculations which incorporate various key assumptions.

Key judgements – Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded and there are no facts of circumstances that suggest the carrying amounts of the exploration and evaluation assets recognised exceed their recoverable amount.

There are five permits that are significant to the operations of the Group where renewal applications have been submitted but the renewal certificates, known as arretés, have not been received at the date of signing this financial report. The Company and/or its joint venture partners have, however, received invitations to pay the renewal fees on four of the five permits - Sirba, Madyabari, Fouli and Aoura. Management understands that, in Burkina Faso, this is regarded as confirmation that the arretés will be issued soon. Management has also made enquiries with the relevant authorities about the fifth permit, Bangaba, and has been verbally advised that although the permit expiry date has passed, the renewal is a formality and will be forthcoming.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(U) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (continued)

Key Judgements – Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes method. The related assumptions are detailed in note 21. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(T) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

During the current year, The Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Predictive Discovery Limited.

(U) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on The Group follows:

- AASB 9: Financial instruments and AASB 2009 11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(U) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (continued)

- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - (a) the objective of the entity's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect The Group.

The Group does not anticipate early adoption of any of the above accounting standards.

2 INCOME TAX EXPENSE

(A) THE COMPONENTS OF TAX EXPENSE COMPRISE:

Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

2 INCOME TAX EXPENSE (continued)

(a) Income tax recognised in profit or loss

Tax expense / (revenue) comprises:	2011	2010
	\$	\$
Current tax expense / (revenue)	(1,358,977)	-
Deferred tax expense / (revenue) relating to the origination and reversal of temporary differences	979,673	-
Tax Losses Not Recognised	379,304	-
Total tax expense / (revenue)	<u>-</u>	<u>-</u>

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit / (loss) from operations	(1,505,280)	(182,605)
Income tax expense (revenue) calculated at 30% (2010: 30%)	(451,584)	(54,782)
Tax Effect of Employee Options	72,280	-
Tax Losses Not Recognised	379,304	54,782
	<u>-</u>	<u>-</u>

Income tax rate

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by the Australian corporate entities on taxable profits under the Australian tax law. There has been no change in the corporate tax rate when compared with the previous year.

3 CASH AND CASH EQUIVALENTS

	2011	2010
	\$	\$
Cash at bank	5,208,418	1,174,944
	<u>5,208,418</u>	<u>1,174,944</u>

Of the cash at bank amount, \$10,000 is provided as security to the ANZ Bank for a bank guarantee.

4 TRADE AND OTHER RECEIVABLES

	2011	2010
	\$	\$
Trade receivables	20,903	-
Other receivables	304,436	23,814
	<u>325,339</u>	<u>23,814</u>

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

5 PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	\$	\$
PLANT AND EQUIPMENT		
At cost	287,951	7,593
Accumulated depreciation	(358)	-
Total plant and equipment	287,593	7,593

(A) MOVEMENTS IN CARRYING AMOUNTS

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	PLANT AND EQUIPMENT	TOTAL
	\$	\$
Balance at 30 June 2011		
Balance at the beginning of year	7,593	7,593
Additions	280,358	280,358
Depreciation expense	(358)	(358)
Balance at 30 June 2011	287,593	287,593
 Balance at 30 June 2010		
Additions	7,593	7,593
Balance at 30 June 2010	7,593	7,593

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

6 EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

	2011	2010
	\$	\$
Exploration and evaluation expenditure	3,925,307	598,939
	3,925,307	598,939
	3,925,307	598,939

	EXPLORATION AND EVALUATION
	\$
2011	
Balance at beginning of the year	598,939
Expenditure incurred	3,326,368
	3,326,368
Balance at end of the year	3,925,307
	3,925,307
2010	
Expenditure incurred	616,756
Written off	(17,817)
	598,939
Balance at end of the year	598,939
	598,939

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. It is the Board's view that PD's exploration and evaluation assets satisfy AASB6 7.2(b)(ii) because PD only commenced exploration activities over the past year and those activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Active and significant operations have occurred on all permits until the beginning of the wet season (July) and PD's budget shows we will be expending some \$5m+ on exploration activities in the dry season (November to June). The budget is split by geographical area and not by area of interest as the allocation of resources will depend upon findings. However, it is acknowledged that the budget allows for spending on all areas of interest without exclusion. It is anticipated that all expenditure required by agreement or permit will be met.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

7 TRADE AND OTHER PAYABLES

	2011 \$	2010 \$
CURRENT		
Trade payables	307,905	110,869
Other payables	484,757	-
	<u>792,662</u>	<u>110,869</u>

8 TAX ASSETS AND LIABILITIES

(a) Assets

Current

Income tax refundable	-	-
	<u>-</u>	<u>-</u>

Non-current

Deferred tax asset comprises:

Employee Entitlements	24,392	3,847
Accruals and payables	8,550	9,948
ASX Listing Costs	2,729	910
Tax Losses	1,596,940	237,962
Amount Not Recognised	(1,632,611)	(252,667)
	<u>-</u>	<u>-</u>

(b) Liabilities

Current

Income tax liabilities	-	-
Less: PAYG instalments paid	-	-
Income tax payable	<u>-</u>	<u>-</u>

Non-current

Deferred tax liability comprises:

Exploration Expenditure	(1,177,592)	(179,682)
Amount Not Recognised	1,177,592	179,682
Net DTA/DTL	<u>-</u>	<u>-</u>

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

8 TAX ASSETS AND LIABILITIES (continued)	2011 \$	2010 \$
(c) Reconciliations		
(i) Gross Movements		
The overall movement in the deferred tax balances is as follows:		
Opening balance	72,985	16,385
Underprovision in prior year	2,729	-
Credited / (charge) to the income statement	379,305	56,600
Amount Not Recognised	(455,019)	(72,985)
Closing balance	-	-
(ii) Deferred tax assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Employee Entitlements		
Opening balance	3,847	-
Credited / (charge) to the income statement	20,545	3,847
Amount Not Recognised	(24,392)	(3,847)
Closing balance	-	-
Provisions		
Opening balance	-	-
Credited / (charge) to the income statement	-	-
Amount Not Recognised	-	-
Closing balance	-	-
Accruals and payables		
Opening balance	9,948	-
Credited / (charge) to the income statement	(1,398)	9,948
Amount Not Recognised	(8,550)	(9,948)
Closing balance	-	-
Tax Losses		
Opening balance	237,962	16,385
Credited / (charge) to the income statement	1,358,978	221,577
Amount Not Recognised	(1,596,940)	(237,962)
Closing balance	-	-

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

8 TAX ASSETS AND LIABILITIES (continued)	2011 \$	2010 \$
ASX Listing Costs		
Opening balance	910	-
Under provision in prior year	2,729	-
Credited / (charge) to the income statement	(910)	910
Amount Not Recognised	(2,729)	(910)
Closing balance	-	-
 (iii) Deferred tax liability		
Exploration Expenditure		
Opening balance	(179,682)	-
Credit / (charge) to the income statement	(997,910)	(179,682)
Amount Not Recognised	1,177,592	179,682
Closing balance	-	-

The DTL is not recognised as a liability as the future tax benefits are assumed to be available if and when the deferred tax liability crystallises.

9 PROVISIONS

CURRENT	2011 \$	2010 \$
Employee entitlements	81,307	12,824
	81,307	12,824

10 ISSUED CAPITAL

	2011 \$	2010 \$
97,056,681 (2010: 92,000,000) Ordinary shares	11,093,400	1,915,000
Share issue costs written off against issued capital	(743,770)	-
	10,349,630	1,915,000

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10 ISSUED CAPITAL (continued)

ORDINARY SHARES

	2011	2011
	No.	\$
At the beginning of the reporting period	92,000,000	1,915,000
Shares issued during the period		
Consolidation of shares (1 for 2 basis)	(46,000,000)	-
Investor shares issue	10,500,000	1,050,000
Seed capital	436,681	110,000
Employee share issue	80,000	8,000
IPO share issue	40,000,000	8,000,000
Employee allotment	40,000	10,400
	<hr/>	<hr/>
	97,056,681	11,093,400

OPTIONS

- (i) For information relating to Predictive Discovery Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 22.

11 RESERVES

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

OPTION RESERVE

The option reserve records items recognised as expenses on valuation of employee share options.

12 EARNINGS PER SHARE

	2011	2010
	\$	\$
Earnings used to calculate basic EPS	(1,412,255)	(182,605)

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

12 EARNINGS PER SHARE (continued)

	2011	2010
	No.	No.
Weighted average number of ordinary shares outstanding during the period - Number used in calculating basic EPS	79,737,036	67,246,575
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	79,737,036	67,246,575

Diluted earnings per share is the same as basic earnings per share as The Group incurred a loss for the period and therefore is not considered dilutive.

13 CAPITAL AND LEASING COMMITMENTS

(A) LEASE COMMITMENTS

	2011	2010
	\$	\$
Payable - minimum lease payments:		
- not later than 12 months	236,315	-
- between 12 months and 5 years	427,873	-
	664,188	-

(B) OPTIONS FEE COMMITMENTS

	2011	2010
	\$	\$
Payable - minimum lease payments:		
- not later than 12 months	250,000	-
- between 12 months and 5 years	460,000	-
	710,000	-

(C) CAPITAL EXPENDITURE COMMITMENTS

Payable:		
- not later than 12 months	1,578,616	1,373,300
- between 12 months and 5 years	6,624,871	3,586,400
	8,203,487	4,959,700

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 CAPITAL AND LEASING COMMITMENTS (continued)

(D) LICENCE FEE COMMITMENTS

Payable:		
- not later than 12 months	300,000	-
- between 12 months and 5 years	1,200,000	-
	<u>1,500,000</u>	<u>-</u>

14 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, receivables and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		2011	2010
	NOTE	\$	\$
Financial Assets			
Cash and cash equivalents	3	5,208,418	1,174,944
Trade and other receivables	4	325,339	23,814
Total Financial Assets		<u>5,533,757</u>	<u>1,198,758</u>
Financial Liabilities			
Trade and other payables	7	792,662	110,869
Total Financial Liabilities		<u>792,662</u>	<u>110,869</u>

The carrying amounts of these financial instruments approximate their fair values.

FINANCIAL RISK MANAGEMENT POLICIES

Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks inherent in exploration activities are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business are market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for exploration expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensures capital can be raised in advance of shortages. Interest rate risk is managed by limiting the amount interest bearing loans entered into by The Group. It is the Board's policy that no speculative trading in financial instruments be undertaken so as to limit exposure to price risk.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14 FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT POLICIES

Primary responsibility for identification and control of financial risks rests with the Company Secretary, under the authority of the Board. The Board is apprised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in Note 1 to the financial statements. The carrying values less the impairment allowance for receivables and payables are assumed to approximate fair values due to their short term nature. Cash and cash equivalents are subject to variable interest rates.

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

(A) CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to The Group.

The Group trades only with recognised, creditworthy third parties.

The Group has no customers and consequently no significant exposure to bad debts or other credit risks.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. At balance date cash and deposits were held with National Australia Bank.

(B) LIQUIDITY RISK

Liquidity risk arises from the possibility that The Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its ongoing exploration cash requirements and raises equity funding as and when appropriate to meet such planned requirements. The Group has no undrawn financing facilities. Trade and other payables, the only financial liability of the Group, are due within 3 months.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

14 FINANCIAL RISK MANAGEMENT (continued)

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

(B) LIQUIDITY RISK (continued)

Financial liability and financial asset maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		TOTAL CONTRACTUAL CASH FLOW	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	792,662	110,869	-	-	792,662	110,869
Total contractual outflows	792,662	110,869	-	-	792,662	110,869
Financial assets - cash flows realisable						
Trade and other receivables	325,339	23,814	-	-	325,339	23,814
Total anticipated inflows	325,339	23,814	-	-	325,339	23,814

The financial assets and liabilities noted above are interest free.

(C) MARKET RISK

i. Interest rate risk

The Group's cash flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. At balance date, the Group does not have any borrowings. The Group does not enter into hedges. An increase/ (decrease) in interest rates by 1% during the whole of the respective periods would have led to an increase/(decrease) in both equity and losses of less than \$10,000. 1% was thought to be appropriate because it represents four 0.25 basis point rate rises/falls, which is appropriate in the recent economic climate. The majority of cash held in a Term Deposit earns interest income at a rate of 5.59% p.a.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14 FINANCIAL RISK MANAGEMENT (continued)

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

(C) MARKET RISK (continued)

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which The Group holds financial instruments which are other than the AUD functional currency of The Group.

Through the purchase of put options, The Group has secured the right to purchase EURO's and US Dollars at a pre-agreed upon price. At year end, there were AUD\$1,284,841 of put options over EURO's and AUD\$1,055,464 put options over US Dollar outstanding. The options to purchase the foreign currencies expire at various times between 17 October 2011 and 15 June 2012.

15 OPERATING SEGMENTS

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The accounting policies applied for internal purposes are consistent with those applied in the preparation of these financial statements.

a) The following is an analysis of the Group's revenue and results from operations by reportable segment.

2011	Corporate	Gold Aust	Uranium Aust	Gold Burkina Faso	Other Aust	Other West Africa	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Interest income	206,112	-	--	-	-	-	206,112
Expenses							
Share based payments	(261,742)	-	-	-	-	-	(261,742)
Administration expenses	(1,256,484)	-	-	-	-	-	(1,256,484)
Exploration expenditure written off	-	(26,516)	-	(40,628)	-	(32,998)	(100,142)
Loss before tax	(1,312,144)	(26,516)		(40,628)		(32,998)	(1,412,256)
Current assets	5,468,105	-	-	65,652	-	-	5,533,757
Exploration expenditure	-	254,106	154,072	3,508,812	-	8,318	3,925,308
Other non-current assets	5,734	-	-	281,859	-	-	287,593
Current liabilities	(303,609)	-	-	(570,360)	-	-	(873,969)
Net assets	5,170,230	254,106	154,072	3,285,963	-	8,318	8,872,689

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

15 OPERATING SEGMENTS

Identification of Reportable Segments (continued)

2010	Corporate	Gold Aust	Uraniu m Aust	Gold Burkina Faso	Other Aust	Other West Africa	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Interest income	10,205	-	-	-	-	-	10,205
Expenses							
Administration expenses	(136,205)	-	-	(38,788)	-	-	(174,993)
Exploration expenditure written off	-	-	-	(17,817)	-	-	(17,817)
Loss before tax	(126,000)	-	-	(56,605)	-	-	(182,605)
Current assets	1,198,758	-	-	-	-	-	1,198,758
Exploration expenditure	-	64,094	7,629	474,148	7,434	45,634	598,939
Other non-current assets	-	-	-	7,593	-	-	7,593
Current liabilities	(65,238)	-	-	(58,455)	-	-	(123,693)
Net assets	1,133,520	64,094	7,629	423,286	7,434	45,634	1,681,597

The Group operates in three principal geographical areas – Australia (country of domicile), Burkina Faso and other West African countries.

16 INTERESTS OF KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of The Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to key management personnel of the company and The Group during the year are as follows:

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

16 INTERESTS OF KEY MANAGEMENT PERSONNEL (continued)

KEY MANAGEMENT PERSONNEL OPTIONS AND RIGHTS HOLDINGS

The number of options over ordinary shares held by each key management person of The Group during the financial year is as follows:

	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERAT- ION DURING THE PERIOD	EXERCISED DURING THE PERIOD	OTHER CHANGES DURING THE PERIOD	BALANCE AT END OF PERIOD	VESTED DURING THE PERIOD	VESTED AND EXERCISABLE	VESTED AND UNEXERCIS- ABLE
30 JUNE 2011								
Mr Phillip Harman	-	900,000	-	-	900,000	900,000	900,000	-
Mr Paul Roberts	-	1,700,000	-	-	1,700,000	1,700,000	1,700,000	-
Dr Thomas Whiting	-	600,000	-	-	600,000	600,000	600,000	-
Dr Robert Danchin	-	600,000	-	-	600,000	600,000	600,000	-
Mr Philip Henty	-	600,000	-	-	600,000	600,000	600,000	-
Mr Ian Hobson	-	-	-	-	-	-	-	-
Mel Drummond	-	200,000	-	-	200,000	200,000	200,000	-
Mrs Lisa Norden	-	-	-	-	-	-	-	-
	-	4,600,000	-	-	4,600,000	4,600,000	4,600,000	-

	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERAT- ION DURING THE PERIOD	EXERCISED DURING THE PERIOD	OTHER CHANGES DURING THE PERIOD	BALANCE AT END OF PERIOD	VESTED DURING THE PERIOD	VESTED AND EXERCISABLE	VESTED AND UNEXERCIS- ABLE
30 JUNE 2010								
Mr Phillip Harman	-	-	-	-	-	-	-	-
Mr Paul Roberts	-	-	-	-	-	-	-	-
Dr Thomas Whiting	-	-	-	-	-	-	-	-
Dr Robert Danchin	-	-	-	-	-	-	-	-
Mr Philip Henty	-	-	-	-	-	-	-	-
Mr I Hobson	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

16 INTERESTS OF KEY MANAGEMENT PERSONNEL (continued)

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The number of ordinary shares in Predictive Discovery Limited held by each key management person of the Group during the financial year is as follows:

	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION DURING THE PERIOD	ISSUED ON EXERCISE OF OPTIONS DURING THE PERIOD	OTHER CHANGES DURING THE PERIOD	BALANCE AT END OF PERIOD
30 June 2011					
Mr Phillip Harman	3,375,000	-	-	(1,637,500)	1,737,500
Mr Paul Roberts	6,375,000	-	-	(3,187,500)	3,187,500
Dr Thomas Whiting	1,875,000	-	-	(937,500)	937,500
Dr Robert Danchin	-	-	-	-	-
Mr Philip Henty	10,625,000	-	-	(5,312,500)	5,312,500
Mr Ian Hobson	-	-	-	50,000	50,000
Mrs Lisa Norden	1,875,000	-	-	(1,352,500)	522,500
	<u>24,125,000</u>	<u>-</u>	<u>-</u>	<u>(12,377,500)</u>	<u>11,747,500</u>

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION DURING THE YEAR	ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
30 June 2010					
Mr Phillip Harman	2,875,000	-	-	500,000	3,375,000
Mr Paul Roberts	5,875,000	-	-	500,000	6,375,000
Dr Thomas Whiting	1,875,000	-	-	-	1,875,000
Dr Robert Danchin	-	-	-	-	-
Mr Philip Henty	7,500,000	-	-	3,125,000	10,625,000
Mr I Hobson	-	-	-	-	-
Mrs Lisa Norden	1,875,000	-	-	-	1,875,000
	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>4,125,000</u>	<u>24,125,000</u>

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

16 INTERESTS OF KEY MANAGEMENT PERSONNEL (continued)

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 20: Related Party Transactions.

17 AUDITORS' REMUNERATION

	2011	2010
	\$	\$
Remuneration of the auditor of the parent entity for:		
- Audit services	40,000	18,000
	40,000	18,000

18 CONTROLLED ENTITIES

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)*	PERCENTAGE OWNED (%)*
		2011	2010
Parent Entity:			
Predictive Discovery Limited	Australia		
Subsidiaries of legal parent entity:			
Predictive Discovery SARL	Burkina Faso	100	100

* Percentage of voting power is in proportion to ownership

19 CONTINGENT LIABILITIES

There are no material contingent liabilities or contingent assets of The Group at balance date.

20 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

20 RELATED PARTY TRANSACTIONS (continued)

Transaction with related parties:

Intercompany Loans

Predictive Discovery Limited has made loans to its subsidiary in the amount of \$2,984,755. The loan is interest free and payable on demand.

Directors' Remuneration

For information relating to related party transactions with key management personnel during the financial year, refer to Note 16.

Other Related Party Transactions

Churchill Services Pty Ltd, an entity associated with Ian Hobson, was paid \$108,586 for company secretarial services during the year.

21 CASH FLOW INFORMATION

RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX

	2011	2010
	\$	\$
Profit (loss) for the year	(1,412,255)	(182,605)
Non-cash flows in profit		
Non-cash based share issues	128,400	-
Share based payments	261,742	-
Depreciation	11,906	-
Foreign exchange (gains)/losses	8,857	3,282
Interest income	(206,112)	(10,205)
Write off of exploration expenditure	-	17,817
Changes in assets and liabilities		
(Increase)/decrease in receivables	(506,868)	4,524
Increase/(decrease) in payables	766,348	79,479
Increase/(decrease) in provisions	68,483	12,824
Increase/(decrease) in FX Reserve	(93,029)	-
	<u>(972,528)</u>	<u>(74,884)</u>

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

22 SHARE BASED PAYMENTS

The Group made a share based payments of options to key management personnel, employees and advisors during the period.

Tranche 1 was granted to the directors of The Group and to promoters on 20 August 2010. Directors received 4,400,000, employees received 700,000 and the advisors received 900,000. The options were valued under the Black Scholes option valuation model using the following inputs.

Number of options:	6,000,000	Risk free interest rate:	4.21%
Exercise price:	\$0.25	Share price at date of issue:	\$0.10
Expected exercise date:	20 August 2015	Expected volatility	77.6%
Each option was valued at	\$0.046		

A summary of the movements of all company options issued is as follows:

	NUMBER	WEIGHTED AVERAGE EXERCISED PRICE
Options outstanding as at 30 June 2010	-	-
Granted	6,000,000	\$0.25
Options outstanding as at 30 June 2011	6,000,000	\$0.25

The weighted average remaining contractual life of options outstanding at year end was 4.14 years.

23 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 21 July 2011, The Group issued 500,000 unlisted options to an employee, exercisable at \$0.31 per share and expiring on 11 July 2015.

On 17 August 2011, The Group announced a capital raising comprising a share placement of 14,081,821 new ordinary fully paid shares, at \$0.185 per share, Acorn Capital Ltd to raise a total of \$2,605,137 and a pro rata non-renounceable rights issue to subscribe for one (1) new fully paid ordinary share for every eight (8) ordinary shares held by Eligible Shareholders at \$0.185 cents per share to raise up to a further \$2,570,077 before costs of the issue. The record date to determine entitlements for eligible shareholders is 5.00pm AWST on 30 August 2011.

New shares issued under the rights issue will rank equally with all ordinary shares already on issue. Under the rights issue, The Group will issue up to a maximum of 13,892,313 new ordinary shares, resulting in a total of up to 125,030,815 fully paid ordinary shares on issue.

PREDICTIVE DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 PARENT ENTITY

The following information has been extracted from the books and records of the parent, Predictive Discovery Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Predictive Discovery Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	2011 \$	2010 \$
Assets		
Current assets	5,468,105	1,136,080
Non-current assets	3,845,248	669,210
Total Assets	<u>9,313,353</u>	<u>1,805,290</u>
Liabilities		
Current liabilities	303,609	123,693
Non-current liabilities	-	-
Total Liabilities	<u>303,609</u>	<u>123,693</u>
Equity		
Issued capital	10,349,630	1,915,000
Accumulated losses	(1,509,382)	(233,403)
Reserve	169,497	-
Total Equity	<u>9,009,745</u>	<u>1,681,597</u>
Total loss for the period	<u>(1,275,979)</u>	<u>(182,605)</u>
Total comprehensive income	<u>(1,275,979)</u>	<u>(182,605)</u>

CONTINGENT LIABILITIES

The parent entity has contingent liabilities as at 30 June 2011 that is disclosed in note 19.

CONTRACTUAL COMMITMENTS

The parent entity has commitments as at 30 June 2011 that are disclosed in note 13.

RECOVERABILITY OF INTERCOMPANY LOAN

Within Non-current assets is a loan due from the 100% subsidiary of \$2,984,755 which is considered fully recoverable.

PREDICTIVE DISCOVERY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

25 COMPANY DETAILS

The registered office and principal place of business of the company is:

Predictive Discovery Limited
Level 2, 9 Colin Street
WEST PERTH WA 6005

PREDICTIVE DISCOVERY LIMITED

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 35 to 72, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated group;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. 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.



Paul Roberts

Managing Director
30 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREDICTIVE DISCOVERY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Predictive Discovery Limited (the company) and Predictive Discovery Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

- (a) the financial report of Predictive Discovery Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Exploration permit renewals

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. There are five permits that are significant to the operations of the group where renewal applications have been submitted but renewal confirmations have not been received at the date of signing the financial report (Note 1(s)). The renewal of the five permits is critical when assessing the recoverability of the exploration and evaluation assets included within non-current assets in the statement of financial position.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 12 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Predictive Discovery Limited for the year ended 30 June 2011 complies with s 300A of the *Corporations Act 2001*.



NEXIA ASR
A.B.N. 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne

Date: 30 September 2011

PREDICTIVE DISCOVERY LIMITED

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2011

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director, and board committee member, who is in office at the date of the annual report and their term of office are detailed in the Director's report.

The independent directors of the Company are Phil Harman, Phil Henty, Tom Whiting and Bobby Danchin.

When determining the independent status of a director, the Board used the Guidelines detailed in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Recommendation	Current Practice
1.1 Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	<p>Satisfied. The functions reserved for the Board and delegated to senior executives have been established.</p> <p>The Board Charter is available at www.predictivediscovery.com.au in the Corporate Governance policy.</p>
1.2 Companies should disclose the process for evaluating the performance of senior executives.	<p>Satisfied. Formal evaluation process has been adopted.</p> <p>The Performance Evaluation Policy is available at www.predictivediscovery.com.au in the Corporate Governance policy.</p>
1.3 Companies should provide the information indicated in the Guide for reporting on Principle 1.	<p>Satisfied.</p> <p>The Board Charter is available at www.predictivediscovery.com.au in the Corporate Governance policy.</p> <p>No formal appraisal of management was conducted.</p>
2.1 A majority of the board should be independent directors.	<p>Satisfied.</p> <p>Phil Harman, Phil Henty, Tom Whiting and Bobby Danchin are Non Executive independent directors as defined in ASX guidelines.</p>

PREDICTIVE DISCOVERY LIMITED

CORPORATE GOVERNANCE STATEMENT.....

30 JUNE 2011

Recommendation	Current Practice
2.2 The chair should be an independent director.	Satisfied. Mr Phil Harman is an independent director.
2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual.	Satisfied.
2.4 The board should establish a nomination committee.	Not Satisfied. The Board consider that given the current size of the Board (5) and the recent listing of the company, this function is efficiently achieved with full Board participation.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.predictivediscovery.com.au in the Corporate Governance policy.
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2	Satisfied. No formal board appraisal was conducted as the company only listed on ASX on 1 December 2010.
3.1 Companies should disclose a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> - The practices necessary to maintain confidence in the company's integrity - The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Satisfied. The Code of Conduct is available at www.predictivediscovery.com.au in the Corporate Governance policy.
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Satisfied. The Trading Policy is available at www.predictivediscovery.com.au in the Corporate Governance policy.

PREDICTIVE DISCOVERY LIMITED

CORPORATE GOVERNANCE STATEMENT.....

30 JUNE 2011

Recommendation	Current Practice
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Satisfied.
4.1 The board should establish an audit committee.	Satisfied.
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> - Consists only of non-executive directors - Consists of a majority of independent directors - Is chaired by an independent chair, who is not chair of the board - Has at least three members 	Satisfied.
4.3 The audit committee should have a formal charter.	Satisfied.
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Satisfied. The audit committee charter is available at www.predictivediscovery.com.au in the Corporate Governance policy.
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available at www.predictivediscovery.com.au in the Corporate Governance policy.
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Satisfied.
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. Shareholders communication strategy is available at www.predictivediscovery.com.au in the Corporate Governance policy.

PREDICTIVE DISCOVERY LIMITED

CORPORATE GOVERNANCE STATEMENT.....

30 JUNE 2011

Recommendation	Current Practice
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Satisfied.
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>Satisfied.</p> <p>The company has established policies for the oversight and management of material business risks.</p> <p>Risk management program is available at www.predictivediscovery.com.au in the Corporate Governance policy.</p>
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	<p>Satisfied.</p> <p>Management consist of the managing director, who has designed and implemented a risk management and internal control system to manage material business risks. Management have reported to the Board that those risks are being managed effectively.</p>
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	<p>Satisfied.</p> <p>The Board has received a section 295A declaration pursuant to the 2011 financial period.</p>
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	<p>Satisfied.</p> <p>The board has received the reports and assurances in 7.2 and 7.3. The policies are available on the company's website.</p>

PREDICTIVE DISCOVERY LIMITED

CORPORATE GOVERNANCE STATEMENT.....

30 JUNE 2011

Recommendation	Current Practice
8.1 The board should establish a remuneration committee.	<p>Not Satisfied.</p> <p>The Board considers that given the current size of the Board (5) and the fact that the company only listed at ASX on 1 December 2010 that this function is efficiently achieved with full Board participation and consequently no meetings have been held.</p>
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>The structure of Directors' remuneration is disclosed in the remuneration report of the annual report.</p>
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	<p>The remuneration committee charter is available at www.predictivediscovery.com.au in the Corporate Governance policy.</p>

Further information about the Company's corporate governance practices is set out on the Company's website at www.predictivediscovery.com.au.

PREDICTIVE DISCOVERY LIMITED

ADDITIONAL SHAREHOLDER INFORMATION IN COMPLIANCE WITH ASX REQUIREMENTS

The additional ASX information is current as at 23 September 2011.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as defined by Section 671B of Australian Corporations Law are:

Shareholder name	Number Held	Percentage
NATIONAL NOMINEES LIMITED	8,497,628	7.14%

PARTICULARS OF TWENTY LARGEST SHAREHOLDERS

Rank	Name	Units Held	%IC
1	NATIONAL NOMINEES LIMITED	8,497,628	7.14%
2	EQUITY TRUSTEES LIMITED	5,512,500	4.63%
3	BLACK FIRE MINERALS LTD	4,350,000	3.66%
4	CITICORP NOMINEES PTY LIMITED	4,008,984	3.37%
5	PRIVATE EQUITY CAPITAL PTY LTD	3,515,625	2.95%
6	PAUL ROBERTS	3,320,500	2.79%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,890,414	2.43%
8	AGGREGATED CAPITAL PTY LTD	2,469,375	2.08%
9	DYSPO PTY LIMITED	2,460,938	2.07%
10	THE HARBOUR FOUNDATION	2,140,000	1.80%
11	EQUITY TRUSTEES LIMITED	1,991,250	1.67%
12	PHILLIP HARMAN	1,898,438	1.60%
13	SANDHURST TRUSTEES LTD	1,855,376	1.56%
14	POOLES AUSTRALIA PTY LTD	1,546,875	1.30%
15	WALLOON SECURITIES PTY LTD	1,250,000	1.05%
16	MR PAUL BRENDAN KEHOE	1,139,172	0.96%
17	REDNBLONDE PTY LTD	1,125,000	0.95%
17	COOKSHILL INVESTMENTS PTY LTD	1,125,000	0.95%
18	TOM WHITING	1,054,688	0.89%
18	MR BRIAN GERARD GIBSON	1,054,688	0.89%
19	FINSBURY CORPORATION PTY LTD	1,040,625	0.87%
20	MIKE CHESTER	1,000,000	0.84%
20	LARISSA DAVIES	1,000,000	0.84%
	TOTAL	56,247,076	47.27%
	Grand TOTAL	118,993,819	100.00%

PREDICTIVE DISCOVERY LIMITED

ADDITIONAL SHAREHOLDER INFORMATION IN COMPLIANCE WITH ASX REQUIREMENTS

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Range of Holding – Ordinary Shares	Holders	Shares
1-1,000	8	1,864
1,001-5,000	25	86,331
5,001-10,000	46	416,119
10,001 - 100,000	438	19,872,595
100,001 – 9,999,999,999	169	104,653,406
	<u>686</u>	<u>125,030,815</u>

Unmarketable Parcels

There are 18 holders holding less than a marketable parcel of \$500 of ordinary shares at a price of 18 cents per share.

RESTRICTED SECURITIES

There are 20,196,875 ordinary shares subject to escrow until 1 December 2012.

UNQUOTED EQUITY SECURITIES

There are 8 holders of 6,000,000 unlisted options expiring 20 August 2015 exercisable at \$0.25

Holders of more than 20%

Holder name	Number	%
PAUL ROBERTS	1,700,000	28.3%

There is 1 holder of 500,000 unlisted options expiring 11 July 2015 exercisable at \$0.31

Holders of more than 20%

Holder name	Number	%
DAVID PASCOE	500,000	100%

USE OF FUNDS

The Company has used the cash and assets in a form readily convertible to cash at the time of re-admission in a way consistent with its business objectives.

VOTING RIGHTS

Each fully paid ordinary share carries voting rights of one vote per share.

PREDICTIVE DISCOVERY LIMITED

INTERESTS IN MINING TENEMENTS

AUSTRALIAN TENEMENTS

Name	Number	Percentage Interest	Location
Woody Creek	EL5314	100%	Victoria, Australia
Skipton	EL5172	100%	Victoria, Australia
Benmara North	EL24645	Option Agreement	Northern Territory, Australia
Benmara East	EL27426	Option Agreement	Northern Territory, Australia
Benmara West	EL28494	100%	Northern Territory, Australia

BURKINA FASO TENEMENTS

Name	Number	Percentage Interest	Location
Fouli	352 (arrêté 2005-060/MCE/SG/DGMGC)	60%	Burkina Faso
Tantiabongou	arrêté 2007-019/MCE/SG/DGMGC	60%	Burkina Faso
Sirba	351 (arrêté 2005-059/MCE/SG/DGMGC)	60%	Burkina Faso
Madyabari	353 (arrêté 2005-061/MCE/SG/DGMGC)	60%	Burkina Faso
Tyekanyebi	Arrêté 2010-202/MCE/SG/DGMGC	Option to acquire 95%	Burkina Faso
Tamfoagou	353 (arrêté 2005-061/MCE/SG/DGMGC)	Option to acquire 95%	Burkina Faso
Tangagari	arrêté 2009-068/MCE/SG/DGMGC	Option to acquire 95%	Burkina Faso
Aoura	arrêté 2008-023/MCE/SG/DGMGC	Option to acquire 95%	Burkina Faso
Boussouma	Arrete 2011-059/MCE/SG/DGMGC	Option to acquire 95%	Burkina Faso
Bangaba	Arrete 2009-100/MCE/SG/DGMGC	Option to acquire 95%	Burkina Faso

