



# **Catalpa Resources Limited and its Controlled Entities**

**Half-Year Financial Report  
31 December 2008**

**CATALPA RESOURCES LIMITED  
HALF- YEAR REPORT**

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# **CATALPA RESOURCES LIMITED**

## **HALF-YEAR REPORT**

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### **DIRECTORS' REPORT**

Your directors submit their report for the half-year ended 31 December 2008.

### **DIRECTORS**

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John Rowe (Non-Executive Chairman)  
Bruce McFadzean (Managing Director)  
Murray Pollock (Non-Executive Director)  
Barry Sullivan (Non-Executive Director)

Nigel Johnson (Non-Executive Director – appointed 20 August 2008)

Mr Johnson is a Chartered Accountant with strong finance and management experience attained over a period of 36 years working in a number of countries for both publicly listed and private companies within a number of industries.

Mr Johnson has significant expertise in financial management, equity and debt raisings, treasury and financial risk management and strategic and business planning.

Mr Johnson has arranged a number of equity and debt raisings in the last 10-15 years and his appointment to Catalpa's Board has added significant financial expertise and provided valuable support for the financing of the Edna May Gold Project.

Chris Melloy (Non-Executive Director – resigned 12 December 2008)

Mr Melloy, an Executive Director of Lion Manager, was Lion Selection's representative on the Catalpa Board since before the Company (formerly Westonia Mines Limited) listed on the ASX in August 2002. Mr Melloy's resignation followed the appointment of Mr Barry Sullivan, presently a Non-Executive Director of Catalpa, to the Lion Board in November 2008, with Mr Sullivan remaining on the Catalpa Board as Lion's representative.

### **REVIEW AND RESULTS OF OPERATIONS**

#### **Highlights**

- **Rebranding from Westonia Mines Limited to Catalpa Resources Limited**
- **36% Increase in Gold Reserves**
- **Executive Appointments: Chief Financial Officer and General Manager Operations**
- **Progress of Edna May Underground Project**
- **Successful Completion of Rights Issue to Raise \$3.5M Before Costs**
- **Edna May Open Pit Gold Project Feasibility Study Finalised**
- **Progress of Greenfinch Resource Drilling**

#### **Rebranding**

On 3 September 2008 the Company changed its name from Westonia Mines Limited (ASX: WEZ) and formally commenced trading as Catalpa Resources Limited ("Catalpa"), on Australia Securities Exchange code CAH.

The rebranding was carried out to reflect the Company's new focus on advancing its Edna May Gold Project to production, and was met with overwhelming shareholder approval.

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#### **36% Increase in Gold Reserves**

During the period under review, the Edna May JORC Reserve was increased by 194,000 ounces or 36% to 738,000 ounces Au, some 64% of which is in the highest confidence JORC Proven category.

The step increase in the Edna May Reserve resulted from the finalisation of the Edna May Gold Project Feasibility Study pit designs and schedules.

#### **Executive Appointments**

Catalpa made two appointments to its senior management team to ensure appropriate capacity to support the Company's vision of utilising the favourable gold price environment to advance its Edna May Gold Project to production.

- **Erik Palmbachs – Chief Financial Officer**

Mr Erik Palmbachs was appointed as the Company's Chief Financial Officer with effect from 20 October 2008. Mr Palmbachs is an experienced CFO and holds an MSc in Mineral Economics and a Bachelor of Business (Accounting). He is a member of the Australian Society of Accountants (AASA, CPA) and has an impressive resume with approximately 30 years hands-on experience, much of which was gained in the resources sector.

Mr Palmbachs was formerly the Chief Financial Officer at Territory Resources Limited, and his experience has already proven invaluable to Catalpa. In particular, Mr Palmbachs played an instrumental role in the successful Rights Issue undertaken in November 2008, the finalisation of the Edna May Gold Project Feasibility Study and more recently, in securing a \$67.5 million financing facility for the Project through Macquarie Bank as announced on 4 March 2009.

- **Stuart Pether – General Manager Operations**

An executive search exercise carried out during the period under review resulted in the appointment of Mr Stuart Pether as the Company's General Manager Operations with effect from 12 January 2009.

Mr Pether is an experienced Mining Engineer and holds a BEng (Mining) with an impressive resume of over 20 years hands-on and technical experience in the resources sector.

Mr Pether has worked in various operational, managerial, technical and corporate roles in Australia and Canada in his career, covering several commodities predominately in gold, nickel and zinc. Mr Pether is equally skilled in both open pit and underground mining environments.

Mr Pether's experience is a valuable addition to the management team. His commitment is already evident in the initiative, insight and ownership he has demonstrated towards the Edna May Gold Project and the various preparations required ahead of the planned Project construction phase.

#### **Edna May Underground Project**

Between September and December 2008, Catalpa completed drilling of six holes of an 11-hole surface diamond drilling programme aimed at testing high grade underground reef structures at its Edna May Gold Project.

Visible gold was present in all six of the drill holes, with assay results confirming significant intercepts of quartz-sulphides and quartz 'stockworks' within the Edna May Gneiss, including Edna May Reef.

## **CATALPA RESOURCES LIMITED**

### **HALF-YEAR REPORT**

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The mounting geological evidence supports the interpretation of the continuation of the Edna May reef at depth; and the belief that Edna May is prospective for underground mining. The potential for underground mining in the future presents further upside for the already robust economics of the Edna May Gold Project.

A detailed geological review is being carried out on the data from the six completed holes and previous drill intercepts to determine the next stage of the programme.

#### **Successful Rights Issue**

On 3 December 2008, Catalpa closed a renounceable Rights Issue with strong support from its shareholders to raise \$3.5 million before costs of the issue, to continue Catalpa's ongoing drilling programmes and to provide for working capital to further expand on Reserves and to progress the Edna May Gold Project.

#### **Edna May Open Pit Gold Project Feasibility Study Finalised**

During the period under review, considerable management and Board attention was spent on finalising the Edna May Gold Project 2008 Feasibility Study.

The Feasibility Study findings announced in January 2009 demonstrate an economically robust project with a life-of-mine of 6.3 years at a conservative Australian gold price of A\$1,200 per ounce.

The Project's cash flow is robust, despite inflated feasibility study capital and operating cost estimates – a result of cost estimates being attained during the resources boom period in 2008. With the recent softening of the commodities sector and subsequent progress in the project procurement inquiries ahead of preparations for the planned construction phase, there are strong indications that cost savings may be realised against the original \$92 million project budget.

The highlights of the Edna May Gold Project outlined in the 2008 Feasibility Study are as follows:

- 738,000 ounce Ore Reserve
- 676,000 ounces recoverable
- 64% (JORC) Proved Ore Reserve
- Processing 2.8 Mtpa ramping to 3.2 Mtpa from year three
- 6.3 year mine life excluding any additional ounces from the adjacent Greenfinch mineralisation
- Average annual production in excess of 100,000 ounces
- Cash operating costs pre 4.5% royalty of A\$636 per ounce
- Conservative cash operating margin (post royalty) of \$343 million at A\$1,200 per ounce gold price
- Low waste:ore strip ration of 1.9:1.0 (post pre-strip)
- Metallurgically simple orebody and consistent recovery of ~92%

Subsequent to the reporting period, Catalpa has secured a project finance facility through Macquarie Bank, the details of which are outlined in Section 9 of this report. The terms agreed include a hedging facility, under which Catalpa has sold forward 352,316 ounces of gold at an achieved fixed flat forward price of A\$1,544 per ounce, which is significantly higher than the Feasibility Study benchmark price of \$1,200.

This historically high forward price significantly increases the Project's cash operating margin from \$54 million per annum as outlined in the Feasibility Study to \$90 million per annum.

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#### **Greenfinch Resource Drilling**

Prior to the close of the reporting period, a step-out drill programme was planned at the Greenfinch mineralisation, aimed at extending the existing Greenfinch Resource adjacent to the Edna May Reserve at the Edna May Gold Project.

Early assay results from the 50-hole drill programme are encouraging with the discovery of several new gold mineralised zones in close proximity (700m) of the Edna May mineralisation. The holes assayed to-date have yielded several significant intercepts within the targeted host lithology, the Edna May Gneiss.

The results will be subject to further analysis and interpretation at the end of March once the balance of assay results are received, with an update of the Greenfinch Resource and Reserve on schedule to be completed in early April 2009.

The addition of new gold mineralised zones in such close proximity to the Edna May Gold Project is positive development that will further improve the economics of the Project and extend its current 6.3 year life-of-mine.

#### **Operating Results**

For the half-year ended 31 December 2008, the consolidated loss of the Group after providing for income tax is \$3,265,268 (2007:\$1,376,790).

**CATALPA RESOURCES LIMITED**  
**HALF-YEAR REPORT**

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**AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 8.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'Bruce McFadzean', with a large loop and a long tail stroke.

Bruce McFadzean  
Managing Director  
13 March 2009

# CATALPA RESOURCES LIMITED HALF-YEAR REPORT

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## AUDITORS' INDEPENDENCE DECLARATION



Chartered Accountants  
& Business Advisers

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Catalpa Resources Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'PKF'.

**PKF**  
Chartered Accountants

A handwritten signature in black ink that reads 'Chris Nicoloff'.

**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia this 13<sup>th</sup> day of March 2009.

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PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

**CATALPA RESOURCES LIMITED**  
**HALF-YEAR REPORT**

**CONDENSED INTERIM INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Notes	Consolidated 31 December 2008 \$	31 December 2007 \$
<b>Continuing Operations</b>			
<b>Revenue</b>	4	<b>76,185</b>	145,962
Administrative costs		(711,628)	(413,482)
Depreciation and amortisation expense		(77,970)	(66,713)
Employee benefits expense and consulting fees		(261,900)	(337,561)
Share-based payments		(165,850)	-
Exploration and evaluation costs expensed as incurred		(2,124,106)	(725,195)
Other expenses		-	(221,296)
		<b>(3,265,268)</b>	(1,618,285)
<b>Loss from continuing operations before income tax</b>		<b>(3,265,268)</b>	(1,618,285)
Income tax benefit		-	241,495
<b>Loss from continuing operations after tax</b>		<b>(3,265,268)</b>	(1,376,790)
		<b>(3,265,268)</b>	(1,376,790)
Net loss attributable to members of parent		<b>(3,265,268)</b>	(1,376,790)
Earnings per share (cents per share)			
- Basic loss for the half-year		<b>(0.89)</b>	(0.40)
- Diluted loss profit for the half-year		<b>(0.89)</b>	(0.40)

*The Condensed Consolidated Income Statement is to be read in conjunction with the notes to the Condensed Consolidated Financial Statements.*

**CATALPA RESOURCES LIMITED  
HALF-YEAR REPORT**

**CONDENSED INTERIM BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Notes	Consolidated 31 December 2008 \$	30 June 2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	3,226,561	2,799,198
Other receivables		170,717	78,004
Other assets		25,000	37,884
<b>TOTAL CURRENT ASSETS</b>		<b>3,422,278</b>	<b>2,915,086</b>
<b>NON CURRENT ASSETS</b>			
Other financial assets		385,500	386,194
Property, plant and equipment		3,583,675	3,593,990
<b>TOTAL NON CURRENT ASSETS</b>		<b>3,969,175</b>	<b>3,980,184</b>
<b>TOTAL ASSETS</b>		<b>7,391,453</b>	<b>6,895,270</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		454,350	158,066
Provisions		498,232	462,208
<b>TOTAL CURRENT LIABILITIES</b>		<b>952,582</b>	<b>620,274</b>
<b>NON CURRENT LIABILITIES</b>			
Interest-bearing liabilities		61,244	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>61,244</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,013,826</b>	<b>620,274</b>
<b>NET ASSETS</b>		<b>6,377,627</b>	<b>6,274,996</b>
<b>EQUITY</b>			
Issued capital	8	36,178,393	32,976,344
Reserves		666,483	500,633
Accumulated losses		(30,467,249)	(27,201,981)
<b>TOTAL EQUITY</b>		<b>6,377,627</b>	<b>6,274,996</b>

*The Condensed Consolidated Interim Balance Sheet is to be read in conjunction with the Notes to the Condensed Consolidated Financial Statements.*

**CATALPA RESOURCES LIMITED**  
**HALF-YEAR REPORT**

**CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Notes	Consolidated	
		31 December 2008	31 December 2007
		\$	\$
<b>Cash from operating activities:</b>			
Research and development tax rebate		-	241,495
Other income		-	13,368
Interest received		91,342	129,057
Payments to suppliers and employees		(896,027)	(816,177)
Payments for mineral exploration and evaluation activities including rehabilitation		(1,968,915)	(1,287,591)
<b>Net cash flows used in operating activities</b>		<b>(2,773,600)</b>	<b>(1,719,848)</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment		(11,086)	(133,783)
Proceeds from tenement and performance bonds recovered		-	1,500,000
<b>Net cash provided (used in)/by investing activities</b>		<b>(11,086)</b>	<b>1,366,217</b>
<b>Cash flows from financing activities:</b>			
Proceeds from the issue of share capital		3,461,317	3,070,021
Cost of issue of share capital		(259,268)	(181,766)
<b>Net cash provided by financing activities</b>		<b>3,202,049</b>	<b>2,888,255</b>
Net increase in cash and cash equivalents		417,363	2,534,624
Cash and cash equivalents at the beginning of the period		2,809,198	1,075,686
<b>Cash and cash equivalents at the end of the period</b>	5	<b>3,226,561</b>	<b>3,610,310</b>

**CATALPA RESOURCES LIMITED**  
**HALF-YEAR REPORT**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

<b>CONSOLIDATED</b>	Ordinary Shares \$	Employee Benefits Reserve \$	Accumulated Losses \$	Total Equity \$
<b>At 1 July 2007</b>	<u>30,088,089</u>	<u>498,673</u>	<u>(24,910,243)</u>	<u>5,676,519</u>
Loss for the period	-	-	(1,376,790)	(1,376,790)
<b>Total income and expense for the period recognised directly in equity</b>	-	-	(1,376,790)	(1,376,790)
Contributed of equity	3,070,021	-	-	3,070,021
Transaction costs	(181,766)	-	-	(181,766)
<b>At 31 December 2007</b>	<u><b>32,976,344</b></u>	<u><b>498,673</b></u>	<u><b>(26,287,033)</b></u>	<u><b>7,187,984</b></u>

<b>CONSOLIDATED</b>	Ordinary Shares \$	Employee Benefits Reserve \$	Accumulated Losses \$	Total Equity \$
<b>At 1 July 2008</b>	<u>32,976,344</u>	<u>500,633</u>	<u>(27,201,981)</u>	<u>6,274,996</u>
Loss for the period	-	-	(3,265,268)	(3,265,268)
<b>Total income and expense for the period recognised directly in equity</b>	-	-	(3,265,268)	(3,265,268)
Contributed of equity	3,461,316	-	-	3,461,316
Transaction costs	(259,267)	-	-	(259,267)
Share-based payment	-	165,850	-	165,850
<b>At 31 December 2008</b>	<u><b>36,178,393</b></u>	<u><b>666,483</b></u>	<u><b>(30,467,249)</b></u>	<u><b>6,377,627</b></u>

**CATALPA RESOURCES LIMITED**  
**HALF-YEAR REPORT**  
**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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**1. CORPORATE INFORMATION**

The Financial Report of Catalpa Resources Limited (the "Company") for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the Directors on 9 March 2009.

Catalpa Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Half-Year Financial Report does not include all of the notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The Half-Year Financial Report should be read in conjunction with the Annual Financial Report of Catalpa Resources Limited as at 30 June 2008.

It is also recommended that the Half-Year Financial Report be considered together with any public announcements made by Catalpa Resources Limited and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

**(a) Basis of Preparation**

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The Half-Year Financial Report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the Half-Year Financial Report, the half-year has been treated as a discrete reporting period.

**(b) Significant Accounting Policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

The following accounting policy has been adopted to recognise and measure the finance lease transaction:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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**(c) Basis of Consolidation**

The half-year consolidated financial statements comprise the financial statements of Catalpa Resources Limited and its controlled subsidiaries ('the Group'). The Group comprises of:

Entity	Country of Incorporation	Extent of Parent's Interests		
		31 December 2008	30 June 2008	31 December 2007
Catalpa Resources Ltd [Parent]	Australia	-	-	-
Westonia Mines Minerals Pty Ltd	Australia	100%	100%	100%

**(d) New Standards and Interpretations Not Yet Adopted**

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective. These standards have not been adopted by the entity for the half year ended 31 December 2008. Amendments issued affecting the entities are outlined below:

Title	Summary	Application Date	Impact on the Group
AASB 101: Presentation of Financial Statements	The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards. However, it is important to note that the AASB has decided that Australian issuers must make use in financial reports of the descriptions-Statement of Financial Performance and Position rather than Balance Sheet and Income Statement and use the term "Financial Report" and not "Financial Statement." The Amending Standard updates references in various other pronouncements.	Financial year beginning 1 <sup>st</sup> January 2009	AASB 101 affects disclosures in the Financial Report, rather than the measurement or recognition of financial items.  The amendments to the standards will impact the Group's Financial Report disclosures for the financial year ending 30 June 2010.
AASB 123: Borrowing Costs	This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The transitional provision provided allows for prospective application of this revision from either application date or adoption date if prior to 1 January 2009. The Amending Standard eliminates reference to the expensing option in various other pronouncements.	Financial year beginning 1 <sup>st</sup> January 2009	Amendments to the standard would not have material impact on the Group, as the Group is currently not engaged in acquisition, construction or production of a qualifying asset noted in the standard.

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AASB 8: Operating Segments	This standard supersedes AASB 114, Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB. This standard only applies to entities that have public accountability therefore any entities that do not fall within scope may wish to early adopt and avoid segment reporting. The Amending Standard updates references in various other pronouncements.	Financial year beginning 1 <sup>st</sup> January 2009	AASB 8 affects disclosures of segment reporting, rather than the measurement or recognition of financial items.  The amendments to the standards will impact the Group's Financial Report disclosures for the financial year ending 30 June 2010.
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Amendments / revisions to other Accounting Standards and Interpretations do not have a material impact on the Group's Financial Report, as the Group does not engage in activities / transactions affected by those amendments / revisions.

**3. FINANCIAL RISK MANAGEMENT**

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

<i>CONSOLIDATED</i>	
<i>December</i>	<i>December</i>
<i>2008</i>	<i>2007</i>
\$	\$

**4. REVENUE, INCOME AND EXPENSES**

**(a) Revenue, Income and Expenses from Continuing Operations**

<i>Revenue</i>		
Interest income	76,185	145,962
Total revenue	76,185	145,962
 <i>Other expenses</i>		
Depreciation	77,970	66,713
Exploration and evaluation costs expensed as incurred	2,124,106	725,195
Employee benefits expensed and consulting fees	261,900	337,561
Share-based payments	165,850	-

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**HALF-YEAR REPORT**  
**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

*CONSOLIDATED*  
December      June  
2008          2008  
\$              \$

**5. CASH AND CASH EQUIVALENTS**

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	3,226,561	2,799,198
Short term deposits	-	-
	3,226,561	2,799,198

**6. SHARE BASED PAYMENT PLANS**

In December 2008, 17,500,000 unlisted options were granted to senior executives and directors under the Employees and Contractors Option Plan. The details of the options are:

Options	Exercise Price	Expiry Date	Vesting Condition
625,000	\$0.06	23/12/2013	Vest immediately
3,750,000	\$0.08	23/12/2013	Vest immediately
625,000	\$0.08	23/12/2013	Exercisable upon completion of Board endorsed finance and funding package to commence construction of Edna May process plant
3,250,000	\$0.10	23/12/2013	Exercisable upon completion of an update of the Feasibility Study for the Edna May open pit project
500,000	\$0.10	23/12/2013	Exercisable upon achievement of a balanced Board composition
625,000	\$0.10	23/12/2013	Exercisable upon the successful employment of the finance and accounting team and implementation of project construction and operating cost managing system
3,750,000	\$0.12	23/12/2013	Exercisable upon the completion of financing (both debt and equity) for the Edna May open project
625,000	\$0.12	23/12/2013	Exercisable upon the successful commissioning of Edna May's open pit project and the key parameters have been achieved
3,750,000	\$0.14	23/12/2013	Exercisable upon the successful commissioning of Edna May's open pit project and the key parameters have been achieved

The fair value of the options granted is estimated as at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the half-year ended 31 December 2008:

Expected volatility (%)	150
Risk-free interest rates (%)	4.25
Contractual life (years)	5

The estimated fair value of each option at grant date is approximately 2 cents.

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**HALF-YEAR REPORT**  
**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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**7. COMMITMENTS AND CONTINGENCIES**

**Lease Commitments**

The Company has committed to an office lease of \$105,893 per annum expiring 30 September 2010.

	<i>CONSOLIDATED</i>	
	<i>December 2008</i>	<i>December 2007</i>
	\$	\$
0 to 1 year	105,893	-
1 to 5 years	81,340	-
Greater than 5 years	-	-
<b>Total</b>	<b>187,233</b>	<b>-</b>

**Finance Lease Commitments**

The Company has committed to a car finance lease for a period of 36 months.

0 to 1 year	25,518	-
1 to 5 years	82,875	-
Greater than 5 years	-	-
<b>Total</b>	<b>108,393</b>	<b>-</b>

**Tenement Expenditure Commitments**

The Group has a portfolio of tenements located in Western Australia which have a requirement for a certain level of expenditure each and every year in addition to annual rental payments for the tenements.

At 31 December 2008, annual expenditure commitments in respect of exploration assets amounted to \$135,708. These mineral commitments are subject to provisions of legislation governing the granting of mineral exploration licences.

Since the last annual reporting date, there have been no material changes to any contingent liabilities or contingent assets.

**8. CONTRIBUTED EQUITY**

	<i>CONSOLIDATED</i>	
	<i>December 2008</i>	<i>June 2008</i>
	No	No
Ordinary shares (i)	<u>518,168,935</u>	<u>345,377,313</u>
	<u>518,168,935</u>	<u>345,377,313</u>

*(i) Ordinary shares*

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	<i>CONSOLIDATED</i>	
	No	\$
<i>Movement in ordinary shares on issue</i>		
At 30 June 2008	<u>345,377,313</u>	<u>32,976,344</u>
Conversion of listed options at \$0.10 each	68,551	6,855
Share placement at \$0.02 each	172,723,071	3,454,462
Transaction costs on share issue	-	(259,268)
At 31 December 2008	<u>518,168,935</u>	<u>36,178,393</u>

**CATALPA RESOURCES LIMITED**  
**HALF-YEAR REPORT**  
**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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**9. EVENTS AFTER THE BALANCE SHEET DATE**

The Group has agreed the terms of a credit approved Project Finance Facility for the Edna May Gold Project.

The Facility which is underwritten by Macquarie Bank Limited provides substantial funding to the Edna May Gold Project development costs. The Facility comprises a secured loan of up to \$55 million, a standby mezzanine facility of up to \$10 million, a \$2.5 million performance bond facility and a gold hedging facility. The term of the Facilities concludes in the 2015 financial year.

Under the hedging facility, Catalpa has sold forward 352,316 ounces of gold at an achieved fixed flat forward price of A\$1,544 per ounce for delivery from commencement of operations, into the 2015 financial year.

In conjunction with entering into the project finance commitment, Catalpa has agreed to issue Macquarie Bank with options over fully paid ordinary shares in Catalpa. The number of options to be issued is equal to the amount provided under the mezzanine facility divided by the option exercise price (which will be set at a 25% premium to the price at which Catalpa issues shares under the equity component of the project funding). Half of the options are to be issued within two months with the balance to be issued following first draw down under the mezzanine facility (if required).

The provision of the Project Finance Facility is subject to a number of conditions precedents which are largely standard, and include the execution of full documentation and completion of an equity raising.

The Group has issued 5,000,000 options under the Employee and Contractors Option Plan following the appointment of a new General Manager of Operations on 12 January 2009.

No other matters or circumstances have arisen since the end of the half-year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

## CATALPA RESOURCES LIMITED HALF-YEAR REPORT

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### DIRECTORS'S DECLARATION

In accordance with a resolution of the directors of Catalpa Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
  - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Bruce McFadzean  
Managing Director  
13 March 2009

# CATALPA RESOURCES LIMITED

## HALF-YEAR REPORT

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### INDEPENDENT AUDITOR'S REVIEW REPORT



Chartered Accountants  
& Business Advisers

#### INDEPENDENT AUDITOR'S REPORT

#### TO THE MEMBERS OF CATALPA RESOURCES LIMITED

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

We have reviewed the accompanying half-year financial report of Catalpa Resources Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008.

##### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Catalpa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

##### *Independence*

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

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**CATALPA RESOURCES LIMITED  
HALF-YEAR REPORT**

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Chartered Accountants  
& Business Advisers

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Catalpa Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

A handwritten signature of the PKF firm, written in black ink.

**PKF**  
Chartered Accountants

A handwritten signature of Chris Nicoloff, written in black ink.

**Chris Nicoloff**  
Partner

Dated at Perth, Western Australia this 13<sup>th</sup> day of March 2009