



catalyst
METALS LTD

ABN 54 118 912 495

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2008

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CORPORATE DIRECTORY

DIRECTORS

Nathan McMahon (Non Executive Chairman)
Bryan Dixon (Non Executive Director)
Mark Thompson (Non Executive Director)

COMPANY SECRETARY

Lisa Wynne

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

22 Oxford Close
West Leederville, Western Australia 6007
Phone: +618 9381 4360
Facsimile: +618 9380 5911
Email: info@catalystmetals.com
Website: www.catalystmetals.com

AUDITORS

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Security Transfer Registrars
770 Canning Hwy
Applecross WA 6153
Telephone: +618 9315 2333
Facsimile: +618 9315 2233

STOCK EXCHANGE LISTING

The Company is listed on Australian Stock
Exchange Limited
Home Exchange – Perth
ASX Codes: CYL
CYLO

CHAIRMAN'S REPORT

Dear Shareholders

During the year Catalyst Metals Limited (ASX:CYL) completed exploration programs at the company's Minnie Creek Project in Western Australia, acquired the highly prospective Everton Molybdenum Project in Victoria whilst also being successful in being admitted to the pre-qualifying short list for a potentially significant copper-molybdenum project in South America.

Catalysts' projects now contain both significant historic production and new discoveries of molybdenum, at a time when the steel-market metal is in growing demand and fetching high prices.

Fieldwork continued at Minnie Creek Project including programs of diamond drilling, ground radiometric surveys and soil geochemistry analysis. Metallurgical test work is currently being undertaken and this will form the basis of future work.

The initial focus for the forthcoming year will be the Everton Molybdenum Project located in the Lachlan fold belt of Victoria, approximately 25 kilometres east of Wangaratta. The programs included preliminary geological reconnaissance of the 127 km² project, research and field visits to the historic mine workings, and preliminary assessment of the modern quarry.

The extensive nature of the mineralisation is encouraging that a significant and large scale body of molybdenum may be present at Everton. Work to gain all statutory approvals for access has been completed, to allow drill testing as soon as possible.

The Company has taken a firm view that the molybdenum market will remain strong and we believe that we will be positioned to capitalise on the current and predicted strong prices.

During a difficult year in the equity markets we would like to express our thanks for the strong support of the Company by all staff, contractors and shareholders.

Yours sincerely,

Nathan McMahon
Chairman
23 September 2008

DIRECTORS' REPORT

The Directors present their report on Catalyst Metals Limited for the year ended 30 June 2008.

DIRECTORS

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

Nathan McMahon (Appointed 27 July 2007)
Mark Thompson
Bryan Dixon (Appointed 27 July 2007)
Howard Dawson (Removed 27 July 2007)
James Malone (Removed 27 July 2007)
Malcolm Carson (Resigned 3 August 2007)

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

COMPANY SECRETARY

Lisa Wynne was appointed as Company Secretary 1 August 2007 following the resignation of Michael Higginson.

CORPORATE STRUCTURE

Catalyst Metals Ltd is a company limited by shares that is incorporated and domiciled in Australia. Catalyst Metals Ltd had no controlled entities during the financial year.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was exploration of its Minnie Creek Project north east of Carnarvon in Western Australia.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the year ended 30 June 2008 was \$130,431 (2007: \$168,832).

The Company's basic loss per share for the year was 0.6 cents (2007: 0.8 cents).

DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2008.

EMPLOYEES

The Company employed 3 employees as at 30 June 2008 (2007: 4).

REVIEW OF OPERATIONS

During the December quarter, the Company received encouraging rock and soil geochemical results from Minnie Creek project. Four new prospect areas were tested by soil geochemical surveys in the Minnie Creek project area, along with further rock sampling and prospecting. Detailed multiple-channel ground radiometric surveys and rock sampling of the prospective uranium targets within Catalyst' 1200km² tenements was completed during the December quarter.

During the June quarter, Company completed a 6 diamond core hole drill programme for 968m to confirm the grade and structural orientation of the Molybdenum mineralisation. Drilling intersected a broad contiguous zone of molybdenum mineralization up to 75 metres wide extending over 700 metres in length. Molybdenum mineralization remains open along strike to the southeast and at depth. Catalyst has commenced first stage metallurgical test work to determine the expected recoveries of molybdenum at Minnie Springs.

In February 2008 the Company announced the acquisition of the Everton Molybdenum Project in Victoria. The project area of 127km² includes the Everton Molybdenite Mine, one of the most significant historic producers in Australia. Catalyst has the right to farm in to up to 90% of the project by spending

DIRECTORS' REPORT

REVIEW OF OPERATIONS

\$250,000 on exploration over 2 years, including a minimum of 750m drilling to acquire a 51% interest in the Project. Catalyst can earn a further 39% of the Project by spending an additional \$500,000 for the following 2 years.

Catalyst has pre-qualified for the right to bid on a government-owned molybdenum-copper project in South America. The successful bidder at auction will acquire the right to treat an ongoing stream of metallurgical waste (slag) from Chilean mining smelters including the right to reprocess accumulated historic dups. Field visits, composite grab samples and preliminary petrography undertaken during June 2008.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 22 February 2008, the Company issued 210,637 as part consideration for the right to farm in to up to 90% of the Everton Project in Victoria.

There were no other significant changes in the state of affairs of the Company during the financial year.

FUTURE DEVELOPMENTS

Likely future developments in the operations of the Company are referred to in the Chairman's Report. Other than as referred to in this report, further information as to likely developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Company and its shareholders.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2008, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities was \$1,990,052 at 30 June 2008 (2007: \$2,592,498).

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.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Nathan McMahon (Non Executive Chairman – Appointed 27 July 2007)

Mr. McMahon has provided corporate and management advice to the mining industry for approximately 14 years to in excess of 20 public listed mining companies. Mr. McMahon has specialised in native title negotiations, joint venture negotiations and project acquisition due diligence. He is a director of several unlisted mining and exploration companies with interests in platinum group elements, base metals, industrial minerals and diamond exploration.

<i>Qualifications:</i>	Bachelor of Commerce
<i>Directorships:</i>	Cazaly Resources Limited Bannerman Resources Limited Universal Coal PLC (formerly South China Resources PLC) Hodges Resources Limited
<i>Former Directorships:</i>	Graynic Metals Limited (From 2005 to 2006) Northern Mining Limited (From 2005 to 2006)
<i>Special Responsibilities:</i>	On-going corporate and management advice, capital raisings, investor relations, risk identification, corporate governance. Member of the Audit Committee.
<i>Interests in shares and options:</i>	900,000 ordinary shares

Mark Thompson (Executive Director)

Mr Thompson has worked extensively throughout Africa, USA, South America and Australia on mineral exploration, resource development and palaeontologic projects since 1989. Mr Thompson has worked for companies including Western Mining Corp, Equatorial Mining Ltd, Panorama Resources Ltd and Centenary International Mining Ltd. He has successfully vendored the lead properties for other companies such as Image Resources NL and Meteoric Resources Ltd. Prior to returning to full time exploration in 2005, Mr Thompson was based in America to help explore and develop palaeontology resources in Montana and Wyoming. Mr Thompson is a member of the Society of Vertebrate Palaeontology, the National Speakers Association of Australia and an Editorial Board member/author of the Encyclopaedia of Anthropology. He brings to Catalyst a strong technical as well as practical experience in the exploration for mineral deposits.

<i>Memberships:</i>	Member of the Australian Institute of Geoscientists Member of the Society of Economic Geology
<i>Special Responsibilities:</i>	Mr Thompson's role encompasses the management of all mineral exploration, growth identification and operational functions of the company. His responsibilities also include health, safety and environment management.
<i>Directorships:</i>	None
<i>Interests in shares and options:</i>	1,265,250 ordinary shares 1,000,000 Class A incentive shares 1,000,000 Class B incentive shares 545,000 options over ordinary shares 1,050,000 unlisted options over ordinary shares

DIRECTORS' REPORT

ENVIRONMENTAL ISSUES

The Company's operations are subject to State and Federal laws and regulation concerning the environment. Details of the Company performance in relation to environmental regulation are as follows:

The Company's exploration activities are subject to the Western Australian and Victorian Mining Acts. The Company has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the financial year under review.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

SHARE OPTIONS

As at the date of this report, there were 12,202,500 unissued ordinary shares under option.

No person entitled to exercise any option referred to above have or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

REMUNERATION REPORT

This report details the type and amount of remuneration for each director of Catalyst Metals Limited, and for the executives receiving the highest remuneration. The information provided in this report includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. **These disclosures have been transferred from the financial report and have been audited.**

Remuneration Policy

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and Motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Catalyst Metals Limited

The remuneration of an executive director will be decided by the Board. In determining competitive remuneration rates the Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of Shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

DIRECTORS' REPORT

REMUNERATION REPORT

All equity based remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of options to directors in accordance with the Company's employee share option plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of directors/executives with that of the business and shareholders. In addition all directors and executives are encouraged to hold shares in the Company.

The Company has not paid bonuses to directors or executives to date.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to maximise the commonality of goals between shareholders and directors and executives. The method applied in achieving this aim to date being the issue of options to directors to encourage the alignment of personal and shareholder interests. The company believes this policy will be the most effective in increasing shareholder wealth.

Details of Remuneration for Year Ended 30 June 2008

Details of the remuneration for each director and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company during the year are set out in the following tables:

The key management personnel of the Company includes the directors as per page 4 above and the following executive officer who's remuneration must be disclosed under the Corporations Act 2001 as they are one of the 5 highest remunerated executives:

- Lisa Wynne – Company Secretary (Appointed 1 August 2007)

2008 Name	Short-term employment benefits		Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Other	Superannuation	Options	
<i>Non-executive directors</i>					
B Dixon ⁽ⁱ⁾	30,694		-	-	30,694
N McMahon	16,175		-	-	16,175
J Malone	2,750		-	-	2,750
M Carson (from 26 May 2006 to 3 Aug 2007)	-		-	-	-
H Dawson ⁽ⁱ⁾	6,875		-	-	6,875
	3,058	14,437 ⁽ⁱⁱ⁾	275	-	17,770
<i>Executive directors</i>					
M Thompson	55,000	73,276 ⁽ⁱⁱⁱ⁾	-	-	128,276
Total key management personnel compensation	114,552	87,713	275	-	202,540
<i>Other company officers</i>					
L Wynne	-	14,474 ^(iv)	-	-	14,474

- ⁽ⁱ⁾ Mr Dixon's directors fees were paid to Warrior Strategic Pty Ltd, a company in which Mr Dixon has a relevant interest.
- ⁽ⁱⁱ⁾ HG & L Dawson Discretionary Trust, a trust in which Mr Dawson has a relevant interest, was paid \$14,437 for the provision of geological consulting services.
- ⁽ⁱⁱⁱ⁾ Red Dog Prospecting Pty Ltd was paid \$73,276 for the provision of Mineral Exploration services. Mr Thompson is a director of Red Dog Prospecting Pty Ltd.
- ^(iv) Sila Consulting Pty Ltd was paid \$14,474 for the provision of accounting, compliance and company secretarial services.

DIRECTORS' REPORT

REMUNERATION REPORT

2007	Short-term employment benefits	Post-employment benefits	Share-based payments	
Name	Cash salary and fees	Superannuation	Options	Total
<i>Non-executive directors</i>				
J Malone	31,950	1,638	-	33,588
M Carson (from 26 May 2006 to 3 Aug 2007)	-	-	-	-
H Dawson	36,696	3,302	-	39,998
<i>Executive directors</i>				
M Thompson	119,761	5,367	82,609	207,737
Total key management personnel compensation	188,407	10,307	82,609	281,323
<i>Other company officers</i>				
B Dixon (resigned 1 Feb 2007)	36,528	-	-	36,528
L Wynne (Appointed 11 October 2006, resigned 6 June 2007)	4,592	-	-	4,592

Employment Contracts of Directors and Senior Executives

There were no formal contracts finalised as at the completion of the June 2008 financial year for Non-executive Directors. Directors are paid under the terms agreed to by a directors resolution at rates detailed below:

Mr McMahon to receive director's fees of \$40,000 per annum inclusive of superannuation requirements.

Mr Thompson to receive director's fees of \$30,000 per annum inclusive of superannuation requirements plus a daily rate for services on top of his director's duties.

Mr Dixon to receive director's fees of \$30,000 per annum inclusive of superannuation requirements.

The Company Secretary has a monthly agreement on ordinary commercial terms.

SHARE-BASED COMPENSATION

Options over shares in the Company are granted under the Catalyst Metals Limited Employee Incentive Scheme (Scheme). The purpose of the Scheme is to give employees, directors, executive officers and consultants of the Company an opportunity, in the form of options, to subscribe for ordinary shares in the Company. The Directors consider the Scheme will enable the Company to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Company more successful.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting years are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
16 July 2006	16 July 2006	16 July 2009	\$0.25	\$0.088
16 July 2006	16 July 2006	16 July 2009	\$0.30	\$0.078
16 July 2006	16 July 2006	16 July 2009	\$0.35	\$0.070

Details of options over ordinary shares in the Company provided as remuneration to each director and each of the key management personnel of the Company are set out below. When exercisable, each option is convertible into one ordinary share of Catalyst Metals Limited. Further information on the options is set out in note 12 to the financial statements.

DIRECTORS' REPORT

REMUNERATION REPORT

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
Mark Thompson	-	1,050,000	-	1,050,000

The assessed fair value at grant date of options granted is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The model inputs for options granted during the year ended 30 June 2007 included:

- a) options are granted for no consideration and vest immediately
- b) exercise price \$0.25, \$0.30 and \$0.35
- c) grant date: 16 July 2007
- d) expiry date: 16 July 2009
- e) share price at grant date: \$0.20
- f) risk-free interest rate: 5.5%

No options were issued during the 2008 financial period.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Directors and Officers have indemnities in place and in July 2008 the Company put in place insurance policies for Directors and Officers insurance.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and immediately follows the Directors' Report.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Catalyst Metals support and have adhered to the principles of sound corporate governance.

The Board recognises the recent recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that Catalyst Metals is in compliance with those guidelines which are of critical importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's corporate governance statement and disclosures are contained in the annual report.

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



Bryan Dixon
Non Executive Director

Perth, Western Australia
23 September 2008

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9111
www.rsmi.com.au

AUDITOR INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Catalyst Metals Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, WA

Dated: *23 September 2008*

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants
Scubitt
S C CUBITT
Partner

BALANCE SHEET

As at 30 June 2008

	Note	2008 \$	2007 \$
Current Assets			
Cash and cash equivalents	6	2,028,119	2,647,576
Trade and other receivables	7	14,179	13,973
Other financial assets	8	3,160	-
Total Current Assets		<u>2,045,458</u>	<u>2,661,549</u>
Non-Current Assets			
Property, plant and equipment	9	15,933	13,102
Exploration and evaluation expenditure	10	1,086,761	523,077
Total Non-Current Assets		<u>1,102,694</u>	<u>536,179</u>
TOTAL ASSETS		<u>3,148,152</u>	<u>3,197,728</u>
Current Liabilities			
Trade and other payables	11	55,406	69,051
TOTAL LIABILITIES		<u>55,406</u>	<u>69,051</u>
NET ASSETS		<u>3,092,746</u>	<u>3,128,677</u>
Equity			
Contributed equity	12	3,356,710	3,262,210
Share-based payments reserve	13	82,609	82,609
Accumulated losses	13	(346,573)	(216,142)
TOTAL EQUITY		<u>3,092,746</u>	<u>3,128,677</u>

The above balance sheet should be read in conjunction with the accompanying notes.

INCOME STATEMENT

For the Year Ended 30 June 2008

	Note	2008 \$	2007 \$
Revenue	2	163,589	171,684
Occupancy costs		(27,096)	(31,271)
Professional fees		(94,815)	(67,777)
Administration costs		(99,784)	(74,414)
Exploration costs		(8,853)	(11,781)
Personnel		(43,616)	(153,706)
Corporate		(18,846)	-
Other		(1,010)	(1,567)
Loss before income tax expense	3	<u>(130,431)</u>	<u>(168,832)</u>
Income tax expense	5	<u>-</u>	<u>-</u>
Net loss attributable to members of Company		<u><u>(130,431)</u></u>	<u><u>(168,832)</u></u>
Basic loss per share (cents per share)	4	(0.6 cents)	(0.8 cents)
Diluted loss per share (cents per share)	4	(0.6 cents)	(0.8 cents)

The above income statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2008

	Issued Capital \$	Accumulated losses \$	Share-based payments reserve \$	Total \$
Balance at 30 June 2006	173,000	(47,310)	-	125,690
Loss for the year	-	(168,832)	-	(168,832)
Share-based payments	-	-	82,609	82,609
Issue of shares	3,200,000	-	-	3,200,000
Issue of options	115,000	-	-	115,000
Share issue costs	(225,790)	-	-	(225,790)
Balance at 30 June 2007	3,262,210	(216,142)	82,609	3,128,677
Loss for the year	-	(130,431)	-	(130,431)
Issue of shares	25,000	-	-	25,000
Options exercised during the year	69,500	-	-	69,500
Balance at 30 June 2008	3,356,710	(346,573)	82,609	3,092,746

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the Year Ended 30 June 2008

	Note	2008 \$	2007 \$
Cash Flows from Operating Activities			
Payments for exploration and evaluation		(510,798)	(421,617)
Payments to suppliers, contractors and employees		(296,240)	(202,498)
Interest received		167,149	165,684
		<u>167,149</u>	<u>165,684</u>
Net cash flows used in operating activities	14	<u>(639,889)</u>	<u>(458,431)</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(9,128)	(15,625)
Payments for exploration property		(60,900)	(100,000)
Payments for financial assets		(4,040)	-
Proceeds from disposal of property, plant and equipment		-	1,090
		<u>-</u>	<u>1,090</u>
Net cash flows used in investing activities		<u>(74,068)</u>	<u>(114,535)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		94,500	3,315,000
Share issue expenses		-	(190,796)
		<u>-</u>	<u>(190,796)</u>
Net cash flows from financing activities		<u>94,500</u>	<u>3,124,204</u>
Net increase cash and cash equivalents		(619,457)	2,551,238
Cash and cash equivalents at the beginning of the financial year		<u>2,647,576</u>	<u>96,338</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>2,028,119</u></u>	<u><u>2,647,576</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial report of Catalyst Metals Limited was authorised for issue in accordance with a resolution of the Director's on 23 September 2008.

(b) Basis of preparation

The financial report covers Catalyst Metals Limited, which is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(c) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) Impairment

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and at call deposits with banks or financial institutions and investments in money market instruments with less than 30 days to maturity.

(f) Trade and other receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

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 is 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 expire. 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.

Classification and Subsequent Measurement

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial instruments (cont.)

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in an area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The Company performs impairment testing when facts and circumstances suggest the carrying amount has been impaired. If it was determined that the asset was impaired it would be immediately written off to the income statement.

Expenditure is not carried forward in respect of any area of interest unless the Company's right of tenure to that area of interest is current. Expenditures incurred before the Company has obtained legal rights to explore a specific area is expensed as incurred. Amortisation is not charged on areas under development, pending commencement of production.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits, and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

(l) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Intangibles

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(n) Equity based payments

The Company determines the fair value of options issued to employees as remuneration and recognises the expense in the income statement. This policy is not limited to options and also extends to other forms of equity based remuneration.

Fair value is measured using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

(o) Earnings per share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the financial report 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 Company.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Exploration and evaluation

The Company's accounting policy for exploration and evaluation is set out in note 1(h). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves may be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the Group's policy, management concludes that the Company is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For intangible assets, expected future cash flow estimation is based on, future production profiles, commodity prices and costs.

(r) New Accounting Standards and Interpretations Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The economic entity's assessment of the impact of these new standards and interpretations is set out below.

The following Australian Accounting Standards and Interpretations that have recently been issued but are not yet effective have not been adopted by the Company for the annual reporting period ending 30 June 2008. Those that are relevant to the company are set out below:

- (i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The economic entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements

- (ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The economic entity intends to apply the revised standard from 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

	2008 \$	2007 \$
2. Revenue		
Interest received	163,589	171,684
3. Expenses		
<i>Loss before income tax includes the following specific expenses:</i>		
Directors fees	71,357	28,199
Audit fees	12,750	16,750
Exploration written off (refer note 1(h))	8,853	11,781
Depreciation	6,297	1,214
Share-based payments	-	82,609
Project costs	68,679	-
Net loss on disposal of property, plant & equipment	-	218
(Gain)/loss on fair value of other financial assets	880	-
4. Earnings per Share	2008	2007
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	23,406,711	22,210,989

- (i) Diluted earnings per share are calculated after classifying all options on issue remaining unconverted at 30 June 2008 as potential ordinary shares. As at 30 June 2008, the Company has on issue 12,202,500 options over unissued capital and has incurred a net loss. As the notional exercise prices of these options is greater than the current market price of the shares, they have not been included in the calculations of the diluted earnings per share as they are anti-dilutive for all periods presented.
- (ii) There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

5. Income tax

	2008	2007
	\$	\$
Loss before tax	(130,431)	(168,832)
Prima facie tax on operating loss before income tax at 30%	(39,129)	(50,650)
Tax effect of:		
- non deductible expenses	124	869
- share based payments	-	24,783
- deductible capital raising expenditure	-	(13,547)
- deductible temporary differences	(13,547)	(155,123)
Deferred tax asset not brought to account at balance date as realisation of the benefit is not probable	52,552	193,669
Income tax attributable to operating loss	<u>-</u>	<u>-</u>
Unrecognised deferred tax balances		
The directors estimate that the potential deferred tax benefits arising from tax losses not brought to account at balance date is approximately:		
Tax losses	355,700	180,526
Timing differences	1,008,324	512,347
	<u>1,364,024</u>	<u>692,873</u>
Net unrecognised deferred tax asset at 30%	<u>409,602</u>	<u>207,862</u>

The potential deferred tax asset, arising from tax losses and temporary differences (as disclosed above), has not been recognised as an asset because recovery of tax losses and temporary differences is not considered probable.

The potential deferred tax asset will only be obtained if:

- the relevant Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- the relevant Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the relevant Company in realising the benefit from the deduction for the losses.

	2008	2007
	\$	\$
6. Cash and cash equivalents		
Cash at bank	<u>2,028,119</u>	<u>2,647,576</u>
7. Trade and other receivables		
Sundry debtors	<u>14,179</u>	<u>13,973</u>

Fair value and credit risk

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

	2008	2007
	\$	\$
8. Financial assets at fair value through profit or loss		
Current		
Shares - in listed corporation - at fair value	3,160	-

Listed shares at fair value

The fair value of listed investments has been determined directly by reference to published price quotations in an active market. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expense in the income statement.

9. Property, plant and equipment

	Computer equipment	Furniture, fittings and equipment	Total \$
Year ended 30 June 2008			
Opening net book amount 1 July 2007	3,072	10,030	13,102
Additions	3,710	5,418	9,128
Disposals	-	-	-
Depreciation charge	(1,642)	(4,655)	(6,297)
Closing net book amount 30 June 2008	5,140	10,793	15,933
At 30 June 2008			
Cost or fair value	7,302	15,997	23,299
Accumulated depreciation	(2,162)	(5,204)	(7,366)
Net book amount	5,140	10,793	15,933

	2008	2007
	\$	\$
10. Exploration and evaluation expenditure		
Opening balance	523,077	-
Additions	572,537	534,858
Exploration written off (refer note 1(h))	(8,853)	(11,781)
Closing balance	1,086,761	523,077

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

	2008 \$	2007 \$
11. Trade and other payables		
Current Payables		
Trade creditors	16,512	18,809
Accruals	38,894	50,242
	<u>55,406</u>	<u>69,051</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Trade and other payables are non-interest bearing and normally settled on 30-day terms.

	2008 Number	2008 \$	2007 Number	2007 \$
12. Contributed Equity				
(a) Share capital				
Ordinary shares				
Fully paid	(c) 23,558,141	3,249,407	23,000,003	3,151,432
Incentive shares				
Class A	4,000,000	4,000	4,000,000	4,000
Class B	4,000,000	4,000	4,000,000	4,000
	<u>31,558,141</u>	<u>3,257,407</u>	<u>31,000,003</u>	<u>3,159,432</u>
(b) Other equity securities				
Options – Listed	(d) 11,152,500	99,303	11,500,000	102,778
Options - Unlisted	1,050,000	-	1,050,000	-
Total contributed equity	<u>43,760,637</u>	<u>3,356,710</u>	<u>43,550,003</u>	<u>3,262,210</u>

(c) Movements in Ordinary Shares

Details	Number of Shares	Issue price	\$'000
Balance at beginning of year	23,000,003		3,151,432
Issue of shares	210,637	\$0.1187	25,000
Exercise of options	347,500	\$0.20	69,500
Transfer from option reserve	-		3,475
Less: Transaction costs	-		-
Balance at end of year	<u>23,558,141</u>		<u>3,249,407</u>

(d) Movements in other equity securities

Details	Number of Shares	Issue price	\$'000
Listed Options			
Balance at beginning of year	11,500,500		102,778
Exercise of options	(347,500)	0.01	(3,475)
Less: Transaction costs	-		-
Balance at end of year	<u>11,152,500</u>		<u>99,303</u>

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2008

12. Contributed Equity (cont'd)

Details	Number of Shares	Issue price	\$'000
Unlisted Options			
Balance at beginning of year	1,050,000		-
Issued	-	-	-
Balance at end of year	<u>1,050,000</u>		<u>-</u>

(e) Ordinary shares

On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

(f) Incentive Shares

Class A Incentive Shares

- The Class A Incentive shares are a separate class of shares that will be convertible into ordinary shares. They do not carry any voting rights in the company or rights to participate in new issues (whether bonus or rights) in the Company.
- Each incentive share will convert into one ordinary share upon the earlier of:
 - the volume weighted average price for 30 days of Catalyst Metals Limited ordinary shares exceeds \$0.50 or;
 - the Company directly or indirectly secures an asset with JORC measured, indicated and inferred resources exceeding 150,000 gold equivalent ounces;
 - a takeover bid becoming unconditional; entering into and the Court approving a solvent scheme of arrangement or reconstruction which as the effect of changing the control of the Company.
- If the above do not occur, within 3 years from the date the Company's ordinary shares are admitted to quotation of ASX, each 100,000 incentive shares will convert into one ordinary share (with any fractional entitlement being rounded up to the nearest whole full paid share).
- The incentive shares are unlisted and non transferable.

Class B Incentive Shares

- The Class B Incentive shares are a separate class of shares that will be convertible into ordinary shares. They do not carry any voting rights in the company or rights to participate in new issues (whether bonus or rights) in the Company.
- Each incentive share will convert into one ordinary share upon the earlier of:
 - the volume weighted average price for 30 days of Catalyst Metals Limited ordinary shares exceeds \$0.75 or;
 - the Company directly or indirectly secures an asset with JORC measured, indicated and inferred resources exceeding 225,000 gold equivalent ounces;
 - a takeover bid becoming unconditional; entering into and the Court approving a solvent scheme of arrangement or reconstruction which as the effect of changing the control of the Company; and conditional on the Minnie Creek Project being the main focus of the Company at the time of the (i), (ii) and (iii) above.
- If the above do not occur, within 3 years from the date the Company's ordinary shares are admitted to quotation of ASX, each 100,000 incentive shares will convert into one ordinary share (with any fractional entitlement being rounded up to the nearest whole full paid share).
- The incentive shares are unlisted and non transferable.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

12. Contributed Equity (cont'd)

(g) Options

Listed Options

The options entitle the holders to subscribe for fully paid ordinary shares in the Company and the Option may be exercised at any time until 31 December 2008 at an exercise price of twenty cents (20c) per Option exercised. The Options will lapse at 5.00pm WST on 31 December 2008.

Unlisted Executive Options

The options entitle the holders to subscribe for fully paid ordinary shares in the Company and the Option may be exercised at any time until 31 December 2008. The options were issued as three different series, with strike price of \$0.25, \$0.30 and \$0.35 respectively. The Options will lapse at 5.00pm WST on 16 July 2009.

(h) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2008 and no dividends are expected to be paid in 2009.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via cash reserves, equity or joint ventures with other companies.

The Company is not subject to any externally imposed capital requirements.

	2008 \$	2007 \$
13. Reserves & Retained Profits		
a) Reserves		
<i>Share-based payments reserve</i>		
Balance at the beginning of the year	82,609	-
Share balance payments expense	-	82,609
Balance at the end of the year	<u>82,609</u>	<u>82,609</u>

The share-based payments reserve records the value of share options issued by the Company.

b) Retained losses		
Balance at the beginning of the year	216,142	47,310
Loss for the year	<u>130,431</u>	<u>168,832</u>
Balance at the end of the year	<u>346,573</u>	<u>216,142</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

14. Notes to the Cash Flow Statement

	2008 \$	2007 \$
(a) Reconciliation of net cash used in operating activities to operating loss after income tax		
Operating loss after tax	(130,431)	(168,832)
<i>Add non cash items:</i>		
Depreciation	6,297	1,214
Net loss on disposal of non-current assets	-	218
Share-based payments expense	-	82,609
(Gain)/loss on fair value of other financial assets	880	-
Exploration written off	8,853	-
<i>Changes in net assets and liabilities</i>		
Increase in receivables	(206)	(7,492)
Increase/(decrease) in payables	(13,644)	56,929
Increase in exploration	(511,638)	(423,077)
Net cash outflow from operating activities	<u>(639,889)</u>	<u>(458,431)</u>

(b) Non-cash financing and investing activities

The Company did not have any non-cash financing or investing activities during the year (2007: Nil)

15. Key Management Personnel Compensation

(a) Directors and Specified Executives

The names and positions held by key management personnel in office at any time during the year are:

Directors

N McMahon	Non-Executive Chairman (Appointed 27 July 2007)
M Thompson	Executive Director
B Dixon	Non-Executive Director (Appointed 27 July 2007)
M Carson	Non-Executive Director (From 29 May 2007 to 3 August 2007)
H Dawson	Non-Executive Chairman (From 21 March 2006 to 27 July 2007)
J Malone	Non-Executive Director (From 21 March 2006 to 27 July 2007)

Executives & Officers

L Wynne	Company Secretary (Appointed 1 August 2007)
M Higginson	Company Secretary (From 6 June 2007 to 1 August 2007)

All of the above persons were also key management persons during the year ended 30 June 2008 except M Higginson.

(b) Key management personnel remunerations

	2008	2007
Short-term employee benefits	216,739	229,167
Post-employment benefits	275	10,307
Share based payments	-	82,609
	<u>217,014</u>	<u>322,443</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

15. Key Management Personnel Compensation (cont'd)

The company has applied the provisions of AASB 2008-4 Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities, and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 8 to 11.

(c) Equity instrument disclosures relating to key management personnel

(i) *Options provided as remuneration and shares issued on exercise of such options*
Details of options provided as remuneration and share issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 8 to 11 of the Directors' Report.

(ii) *Option holdings*
The numbers of options over ordinary shares in the company held during the year by each director of the Company and other key management personnel, including their personally related parties, are set out below:

2008

Directors	Balance at beginning of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable
M Thompson	1,595,000	-	-	-	1,595,000	1,595,000
Bryan Dixon	220,000	-	(220,000)	-	-	-
Nathan McMahon						
J Malone	457,500	-	-	(457,500) ^⓪	-	-
H Dawson	395,000	-	-	(395,000) ^⓪	-	-
M Carson	10,000	-	-	(10,000) ^⓪	-	-
Other key management personnel						
Lisa Wynne	9,375	-	-	-	9,375	-

(i) On 27 July 2007, the shareholders voted to remove Messers Dawson and Malone from the board of the Company.

(ii) On 3 August 2007, Mr Carson resigned from the board.

2007

Directors	Balance at beginning of year	Granted as compensation	Exercised	Other changes	Balance at end of year	Vested and exercisable
M Thompson	-	1,050,000	-	545,000	1,595,000	1,595,000
J Malone	-	-	-	457,500	457,500	457,500
H Dawson	-	-	-	395,000	395,000	395,000
M Carson	-	-	-	10,000	10,000	10,000
Other key management personnel						
Bryan Dixon ⁽ⁱ⁾	-	-	-	220,000	220,000	220,000

(i) Mr Dixon resigned as Company Secretary of the Company on 1 February 2007.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

15. Key Management Personnel Compensation (cont'd)

(iii) Shareholdings

Ordinary Shares

The numbers of ordinary shares in the company held during the financial year by each director and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

2008

Directors	Balance at beginning of year	Purchased	Other changes	Balance at end of year
M Thompson	1,090,000	175,250	-	1,265,250
Bryan Dixon	415,000	145,000	(560,000) ⁽ⁱⁱⁱ⁾	-
Nathan McMahon	665,455	1,001,098	(766,553) ⁽ⁱⁱⁱ⁾	900,000
M Carson	20,000	-	(20,000) ⁽ⁱⁱ⁾	-
H Dawson	1,040,000	-	(1,040,000) ⁽ⁱ⁾	-
J Malone	965,000	-	(965,000) ⁽ⁱ⁾	-
Other key management personnel				
Lisa Wynne	-	-	-	-

- (i) On 27 July 2007, the shareholders voted to remove Messers Dawson and Malone from the board of the Company.
- (ii) On 3 August 2007, Mr Carson resigned from the board.
- (iii) As disclosed in an ASX release on 29 April 2008, an involuntary sale of 1,326,553 ordinary shares in April 2008 pursuant to the (purported) exercise of rights by a creditor of Opes Prime Group Ltd. No consideration has been received by the Mr McMahon or Mr Dixon at this time. Mr McMahon and Mr Dixon are pursuing actions against the major financier of the Opes Prime Group Ltd.

2007

Directors	Balance at beginning of year	Received during the year on exercise of options	Other changes	Balance at end of year
H Dawson	1,040,000	-	-	1,040,000
J Malone	915,000	-	50,000	965,000
M Thompson	1,000,000	-	90,000	1,090,000
M Carson	-	-	20,000	20,000
Other key management personnel				
Bryan Dixon #	415,000	-	-	415,000

Incentive shares

The numbers of incentive shares in the company held during the financial year by each personally related parties, are set out below:

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2008

15. Key Management Personnel Compensation (cont'd)

(d) Equity instrument disclosures relating to key management personnel

2008

Directors	Class A Incentive Shares			Class B Incentive Shares		
	Balance at beginning of year	Other changes	Balance at end of year	Balance at beginning of year	Other changes	Balance at end of year
M Thompson	1,000,000	-	1,000,000	1,000,000	-	1,000,000
B Dixon	-	-	-	-	-	-
N McMahon	-	-	-	-	-	-
M Carson	-	-	-	-	-	-
H Dawson	600,000	(600,000) ⁽ⁱ⁾	-	600,000	(600,000) ⁽ⁱ⁾	-
J Malone	900,000	(900,000) ⁽ⁱ⁾	-	900,000	(900,000) ⁽ⁱ⁾	-

(i) On 27 July 2007, the shareholders voted to remove Messers Dawson and Malone from the board of the Company.

2007

Directors	Class A Incentive Shares			Class B Incentive Shares		
	Balance at beginning of year	Other changes	Balance at end of year	Balance at beginning of year	Other changes	Balance at end of year
H Dawson	600,000	-	600,000	600,000	-	600,000
J Malone	900,000	-	900,000	900,000	-	900,000
M Thompson	1,000,000	-	1,000,000	1,000,000	-	1,000,000
M Carson	-	-	-	-	-	-

(e) Loans to key management personnel

	2008 \$	2007 \$
Amounts payable to Directors and Director related entities at the end of the financial year, included in current liabilities	-	2,063

(f) Other transactions with key management personnel

Mr McMahon is a director and shareholder of Cazaly Resources Limited. Catalyst Metals Limited had an agreement based on normal commercial terms and conditions to reimburse for office rental and administration and overheads.

Messers Dawson and Malone are directors and shareholders of Discovery Capital Limited. Catalyst Metals Limited had an agreement based on normal commercial terms and conditions to reimburse for office rental and exploration consulting services

Messers Dawson and Malone are directors of Latin Gold Limited. Catalyst Metals Limited had an agreement based on normal commercial terms and conditions to reimburse for office and administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

15. Key Management Personnel Compensation (cont'd)

Mr Thompson, is a related party of Red Dog Prospecting Pty Ltd. Catalyst Metals Limited has agreed to engage Red Dog Prospecting Pty Ltd based on normal commercial terms and conditions for the provision of exploration and development services and vehicle hire.

Aggregate amounts of each of the above types of other transactions with key management personnel of Catalyst Metals Limited:

	2008	2007
	\$	\$
<i>Purchases</i>		
Rent of office building	29,806	43,227
Administrative and office overheads	3,804	21,282
Exploration services and vehicle hire	83,589	39,996
<i>Sales</i>		
Reimbursements for secretarial services	605	12,254

16. Related Party Disclosures

Key Management Personnel

Red Dog Option and Joint Venture Agreement (Red Dog Agreement)

Red Dog Prospecting Pty Ltd, a company which Mr Thompson is both a director and shareholder, entered into an Option and Joint Venture Agreement with Catalyst on 25 May 2006. Red Dog granted Catalyst an option to purchase a 90% interest in Tenements E09/1187, E09/1174 and E09/1291 for a purchase price of \$100,000 (Option). Catalyst exercised the Option in July 2006. On the exercise of the Option by Catalyst, a joint venture was established between the parties (with Catalyst having a participating share of 90% and Red Dog having a participating share of 10%) for the purposes of prospecting, exploring and, if so decided by the parties, mining of marketable minerals and other commodities. Catalyst will be required to sole fund all exploration costs up to completion of a feasibility study. Catalyst will be Manager of the joint venture and, whilst it is solely funding exploration costs, it will have conduct of the joint venture operations as it sees fit.

17. Equity-based payments

The Company has entered into an Employee Share Option Plan that allows for share options to be granted to eligible employees and officers of the Company. The number of share options that can be issued under the plan cannot exceed 5% of the total number of shares on issue. The terms and conditions of the share option issued under the plan are at the discretion of the Board however, the maximum term of the share option is five years.

No options were granted during the year.

	2008	2007
	\$	\$
18. Auditors' Remuneration		
Amounts received or due and receivable by the auditors for:		
Auditing accounts	12,750	16,750
Other services	-	-
	12,750	16,750

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2008

19. Commitments

There were no outstanding commitments, which are not disclosed in the financial statements as at 30 June 2008 other than:

	2008 \$	2007 \$
(a) Tenement commitments		
No later than 1 year	310,000	312,586
Later than 1 year but not later than 5 years	-	-
	<u>310,000</u>	<u>312,586</u>
	<u>310,000</u>	<u>312,586</u>

20. Financial Instruments

	Notes	Floating Interest Rate \$	1 year or less \$	Over 1-5 years \$	Non interest bearing \$	Total \$
2008						
Financial assets						
Cash and cash equivalents	6	7.30%	2,033,629	-	(5,510)	2,028,119
Trade and other receivables	7	-	-	-	14,179	14,179
Other financial assets		-	-	-	3,160	3,160
Total financial assets			<u>2,033,629</u>	<u>-</u>	<u>11,829</u>	<u>2,045,458</u>
Financial liabilities						
Trade and other payables	11		-	-	55,406	55,406
Total financial liabilities			<u>-</u>	<u>-</u>	<u>55,406</u>	<u>55,406</u>
Net financial assets/(liabilities)			<u>2,033,629</u>	<u>-</u>	<u>(43,577)</u>	<u>1,990,052</u>
2007						
Financial assets						
Cash and cash equivalents	6	6.21%	2,600,000	-	47,576	2,647,576
Trade and other receivables	7	-	-	-	13,973	13,973
Total financial assets			<u>2,600,000</u>	<u>-</u>	<u>61,549</u>	<u>2,661,549</u>
Financial liabilities						
Trade and other payables	11		-	-	69,051	69,051
Total financial liabilities			<u>-</u>	<u>-</u>	<u>69,051</u>	<u>69,051</u>
Net financial /(liabilities)			<u>2,600,000</u>	<u>-</u>	<u>(7,502)</u>	<u>2,592,498</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

20. Financial Instruments (cont'd)

Reconciliation of net financial assets to net assets	2008	2007
	\$	\$
Net Financial Assets	1,990,052	2,592,498
Property, plant & equipment	15,933	13,102
Exploration expenditure	1,086,761	523,077
Net Assets	<u>3,092,746</u>	<u>3,128,677</u>

The Company's principal financial instruments comprise cash, short-term deposits and financial assets at fair value through profit or loss.

The main purpose of these financial instruments is to finance the company's operations. The company has various other financial assets and liabilities such as sundry receivables, and trade payables, which arise directly from its operations.

The main risks arising from the company's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below and Note 13 with respect to capital risk management. The Board reviews and agrees policies for managing each of these risks.

Interest rate risks

The company's exposure to the risks of changes in market interest rates relates primarily to the company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The company does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

At 30 June 2008, if interest rates had changed by 100 basis points during the entire year with all other variables held constant, profit for the year and equity would have been \$16,359 lower/higher, mainly as a result of lower/higher interest income from cash and cash equivalents.

A sensitivity of 100 basis points has been selected as this is considered reasonably possible in the current economic environment. Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet and notes to the financial statements. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

21. Segment Information

The Company operates predominantly in one business segment and in one geographical location. The operations of the Company consist of mineral exploration, within Australia.

22. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2008, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

23. Contingent Liabilities and Contingent Assets

The Company does not have any contingent liabilities or contingent assets at 30 June 2008.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company;
2. the Chairman 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.
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.



Bryan Dixon
Non Executive Director

Dated at Perth this 23rd day of September 2008

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

CATALYST METALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Catalyst Metals Limited ("the company"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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 control 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(a), 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.

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Catalyst Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 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(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the financial year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A 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 Catalyst Metals Limited for the financial year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

Perth, WA

Dated: 23 September 2008

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants
scubitt
S C CUBITT
Partner

CORPORATE GOVERNANCE

The Board of Directors of Catalyst Metals Limited is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of Catalyst Metals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

For further information on corporate governance policies adopted by Catalyst Metals Limited, refer to our website: www.catalystmetals.com/corporate_governance.

The Corporate Governance practices of Catalyst were in place throughout the reporting period and have complied with each of the 10 Essential ASX Corporate Governance Principles and the corresponding Best Practice Recommendations.

Board Objectives

The Board will develop strategies for the Company, review strategic objectives, and monitor the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Principle 1: Lay solid foundations for management and oversight

The board has adopted a Charter that sets out the roles and responsibilities of the board. This may be viewed at www.catalystmetals.com.au. The Charter includes, amongst other things that the Board will:

- developing initiatives for profit and assets growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality
- reviewing the Company's systems of risk management and internal compliance and control, codes of conduct and legal compliance
- ensuring that policies and procedures are in place consistent with the Company's objectives, and ensuring the Company and its officers act legally, ethically and responsibly in all matters

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully informed basis.

Principle 2: Structure the board to add value

Composition

The board currently consists of three non-executive directors, including the chairman. Details of their experience, qualifications and committee memberships are set out below. All directors were in office at the date of this report:

Nathan McMahon – Chairman

Independent non-executive Chairman since July 2007

Term in office – 14 months

Mr. McMahon has provided corporate and management advice to the mining industry for approximately 14 years to in excess of 20 public listed mining companies. Mr. McMahon has specialised in native title negotiations, joint venture negotiations and project acquisition due diligence. He is a director of several unlisted mining and exploration companies with interests in platinum group elements, base metals, industrial minerals and diamond exploration.

CORPORATE GOVERNANCE

Mark Thompson (Non Executive Director)

Non-executive director since May 2006

Term in office – 28 months

Mr Thompson has worked extensively throughout Africa, USA, South America and Australia on mineral exploration, resource development and palaeontologic projects since 1989. Mr Thompson has worked for companies including Western Mining Corp, Equatorial Mining Ltd, Panorama Resources Ltd and Centenary International Mining Ltd. He has successfully vendored the lead properties for other companies such as Image Resources NL and Meteoric Resources Ltd. Prior to returning to full time exploration in 2005, Mr Thompson was based in America to help explore and develop palaeontology resources in Montana and Wyoming. Mr Thompson is a member of the Society of Vertebrate Palaeontology, the National Speakers Association of Australia and an Editorial Board member/author of the Encyclopaedia of Anthropology. He brings to Catalyst a strong technical as well as practical experience in the exploration for mineral deposits.

Bryan Dixon

Independent Non-executive director since July 2007

Term in office – 14 months

Mr Dixon has substantial experience in the mining sector and in the management of public and listed companies. Previously, Mr Dixon has been employed by KPMG, Resolute Samantha Limited, Société Générale and Archipelago Resources Plc. Mr Dixon is a Chartered Accountant and brings additional project development, project acquisition, financing and corporate skills to the Company. Bryan is a member of Company Secretaries Australia and has been Company Secretary with a number of resources companies.

Appointment

Election of Board members is substantially the province of the Shareholders in general meeting. However, the Company commits to the following principles:

- the Board to comprise of Directors with a blend of skills, experience and attributes appropriate for the Company and its business;
- the principal criterion for the appointment of new Directors being their ability to add value to the Company and its business.

Board Independence

The Board has accepted the ASX Corporate Governance Councils definition of an Independent Director contained in their report titled "The Principles of Good Corporate Governance and Best Practice Recommendations – March 2003".

Mr McMahon and Mr Dixon have been assessed as Independent Directors. In reaching that determination, the Board has taken into account:

- The specific disclosures made in accordance with the Corporations Act, but each such director in respect of any material contract or relationship
- That no such director is, or is associated directly with, a substantial shareholder of the company
- Where applicable, the related party dealings referable to each such Director, noting that those dealings are not material under accounting standards. Full details of related party dealings are set out in the notes to the financial statements
- That no such non-executive Director has within the last three years been employed in an executive capacity by the company
- That no such non-executive Director is, or is associate with a supplier or customer of the company which is material under accounting standards
- That such non-executive Director's are free from any interest and any business or other relationship which could, or could reasonable be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

CORPORATE GOVERNANCE

Under the accounting standards, a matter is considered to be material if it is equal to or greater than 10% of the appropriate base amount.

Mr Thompson does not meet the Company's criteria for independence. Mr Thompson is an executive and has a material contractual relationship in the form of a 10% free-carry joint venture agreement. Mr Thompson's experience and knowledge of the Company make his contribution to the Board such that it is appropriate for him to remain on the Board.

Given the size of the company and the industry in which it operates, the current Board structure is considered to best serve the Company in meeting its objectives, given its small capitalisation, limited resources and existing operations. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

Independent professional advice

There are procedures in place, as agreed by the board, to enable directors to seek independent professional advice on issues arising in the course of their duties at the company's expense.

Remuneration and Nomination Committee

A Remuneration and Nomination Committee Charter has been established by the Board to assess and make recommendations regarding membership of the Board, including proposed new appointments.

Given the size and scope of the operations of the Company, the full board has assumed those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

Nomination Arrangements

Where a vacancy is considered to exist, the Committee will select an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments will be referred to shareholders for re-election at the next annual general meeting. All Directors, except the Managing Director, are subject to re-election by shareholders at least every three years.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will determine the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board will then appoint the most suitable candidate (assuming one is available) who must stand for election at the next annual general meeting.

Performance

During the reporting year the Company did not have a formal process for evaluation of Directors and Executives due to their only being three in total. The Board undertakes an annual review of its own performance with external advice as appropriate.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Directors, officers and employees of the Company are required to conduct themselves in accordance with the Company's Code of Conduct which can be viewed at www.catalystmetals.com.au/corporate_governance.

Share Trading Policy

The Company also has policies concerning trading in the Company's securities by directors, officers and employees. This policy can be viewed at www.catalystmetals.com.au/corporate_governance.

CORPORATE GOVERNANCE

Principle 4: Safeguard integrity of financial reporting

Audit Committee

The Board has established an audit committee in August 2007, which operates under a charter of the Board and can be viewed at www.catalystmetals.com.au/corporate_governance.

Given the size and scope of the operations of the Company, the full board has assumed those responsibilities that are ordinarily assigned to an audit committee.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non financial information.

The members of the audit committee at the end of the year and date of this report were:

B Dixon (Chairman)
N McMahon
L Wynne (Secretary)

For details on member qualifications and attendance at meetings of the Audit Committee held during the year refer to the Directors' Report.

Appointment of auditor

The shareholders in a general meeting are responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Principle 5: Make timely and balanced disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company has a Continuous Disclosure Policy available for viewing on the Company's website at www.catalystmetals.com.au/corporate_governance.

Principle 6: Respect the rights of shareholders

The Board of Catalyst is committed to open and effective communication, ensuring all shareholders is informed of all significant development concerning the Company. The Company has in place an effective Shareholder Communications Policy. This policy can be viewed at www.catalystmetals.com.au/corporate_governance.

Principle 7: Recognise and manage risk

Identification and Management of Risk

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole.

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

A copy of the Company's risk management policy can be viewed at www.catalystmetals.com.au/corporate_governance.

CORPORATE GOVERNANCE

The Board has received assurance from the Financial Controller and a Mr Thompson that the declarations made in accordance with section 295A of the Corporation Act 2001 are:

1. founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board
2. the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8: Encourage enhanced performance

Performance

During the reporting year the Company did not conduct a formal process for evaluation of Directors and Executives due to their only being three in total. The Board undertakes an annual review of its own performance with external advice as appropriate.

Principle 9: Remunerate fairly and responsibly

Remuneration Arrangements

A Remuneration and Nomination Committee Charter has been established by the Board to assess and make recommendations regarding membership of the Board, including proposed new appointments.

Given the size and scope of the operations of the Company, the full board has assumed those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

Given the size and scope of the operations of the Company, the full board has assumed those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

Where appropriate, independent consultants are engaged to appropriate levels of remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Catalyst Metals Limited

The remuneration of an executive director will be decided by the Remuneration and Nomination Committee. In determining competitive remuneration rates the Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

CORPORATE GOVERNANCE

Principle 10: Recognise the legitimate interest of stakeholders

Code of conduct

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices. The Directors, officers and employees of the Company are required to conduct themselves in accordance with the Company's Code of Conduct which can be viewed at www.catalystmetals.com.au/corporate_governance.

Corporate Governance Disclosures – Explanation of departure

During the financial year Catalyst Metals has complied with each of the 10 Essential Corporate Governance Principles and the corresponding Best Practice Recommendations.

Explanation of departure

During the financial year Catalyst has complied with each of the 10 Essential ASX Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

ASX Best Practice Recommendation	Notification Departure	of Explanation of Departure
2.4 The board should establish a nomination committee	The Company has not established a formal nomination committee	The Board continues to strive to meet the principles of Good Corporate Governance and Best Practice Recommendations published by the ASX or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 2.4.is impractical given the size of the company and the industry in which it operates. The Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.
9.2 The board should establish a remuneration committee	The Company has not established a formal remuneration committee	The Board continues to strive to meet the principles of Good Corporate Governance and Best Practice Recommendations published by the ASX or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 9.2.is impractical given the size of the company and the industry in which it operates. The Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 19 September 2008.

DISTRIBUTION OF SHAREHOLDERS

Analysis of numbers of equity security holders by size of holding

	Class of Equity Security Holders	
	Fully Paid Ordinary Shares	Options
1-1,000	4	7
1,001 - 5,000	53	74
5,001 - 10,000	74	49
10,001 - 100,000	220	128
100,001 and over	38	21
	389	279
Holding less than a marketable parcel	60	-

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest quoted equity security holders are:

Ordinary Shares		Number Held	% Held	Options	Number Held	% Held
1	Equity West Ltd	1,403,500	5.96	M&K Korkidas Pty Ltd	956,956	8.58
2	Robin Scrimgeour	1,403,500	5.96	Lateral Minerals Pty Ltd	500,000	4.48
3	Lateral Minerals PL	1,000,000	4.24	Robert Colefax	500,000	4.48
4	Howard G Dawson	990,000	4.20	Asail Investmnets Pty ltd	500,000	4.48
5	Jodie Marwick	935,000	3.97	Marc Boudames	467,620	4.19
6	Kilkenny Enterprises Pty Ltd	915,000	3.88	Kilkenny Enterprises Pty Ltd	457,500	4.10
7	Widerange Corp Pty Ltd	534,545	2.27	Luke Charles Anderson	450,000	4.03
8	Sandy Louise Edwards	500,000	2.12	Howard Dawson	395,000	3.54
9	Kingsreef Pty Ltd	400,000	2.12	Reads IT Pty Ltd	268,750	2.41
10	Chepalix Pty Ltd	450,000	1.91	Kilkenny Enterprises Pty Ltd	230,000	2.06
11	Kingsreef Pty Ltd	400,000	1.70	Sandy Louise Edwards	228,000	2.04
12	Reads IT Pty Ltd	387,000	1.64	Greyhound Investments Pty Ltd	221,144	1.98
13	Michael Tilley	293,000	1.24	GV &WA Butcher	186,000	1.67
14	Mark James Thompson	265,250	1.13	Millan Mirkovic	170,000	1.52
15	David John Sharp	255,000	1.08	Luke Charles Anderson	150,000	1.34
16	Skink Resources Pty Ltd	237,000	1.01	Jacqueline Mason	130,000	1.17
17	Katie McMahon	224,184	0.95	David John Sharp	127,500	1.14
18	Bruce Myles	210,637	0.89	Hung Piew Kueh	116,000	1.04
19	Lagbail Pty Ltd	206,000	0.87	Deshon Enterprises Pty Ltd	110,000	0.99
20	Joenderbee Inv Pty Ltd	200,000	0.85	Craig Aylmore	106,000	0.95
		11,309,616	47.99		6,270,470	56.19

ASX ADDITIONAL INFORMATION (continued)

UNQUOTED EQUITY SECURITIES

	Number on issue	Number of holders
Class A Incentive Shares	4,000,000	23
Class B Incentive Shares	4,000,000	24
Options exercisable at 25 cents on or before 16 July 2009	350,000	1*
Options exercisable at 30 cents on or before 16 July 2009	350,000	1*
Options exercisable at 35 cents on or before 16 July 2009	350,000	1*

* All unquoted options above are held by Mr Mark Thompson

SUBSTANTIAL SHAREHOLDERS

Ordinary shareholders	Number	Fully Paid
		Percentage
Robin Scrimgeour	2,655,500	11.27

VOTING RIGHTS

- a) **Ordinary Shares**
On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.
- b) Class A Incentive Shares
No voting rights
- c) Class B Incentive Shares
No voting rights
- d) Options
No voting rights

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has nil franking credits.

TENEMENT SCHEDULE

Project	Tenements	Interest
Eudamullah	E09/1174	90%
Minnie Creek	E09/1187	90%
Michelles Well	E09/1291	90%
Bluebush Well	E09/1303	90%
Koonana Hill	E09/1438	90%
Black Range	E09/1501	Application

Competent Persons Statement

The information in the directors report on pages 4 and 5 of this report that relates to Exploration Results is based on information compiled by independent consultant Mr. Julian Bartlett, B.Sc (Hons) Geol. M.Sc. (Econ.Geol.), RP.Geo, who has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity to which he is undertaking, and consents to the inclusion in the public release of the matters based on their information in the form and context in which it appears.