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catalyst
METALS LTD

ABN 54 118 912 495

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

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CORPORATE DIRECTORY

DIRECTORS

Steve Boston (Non Executive Chairman - appointed 1 September 2009)
Robin Scrimgeour (Non Executive Director - appointed 1 September 2009)

COMPANY SECRETARY

Lisa Wynne

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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West Leederville, Western Australia 6007
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AUDITORS

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8 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Security Transfer Registrars
770 Canning Hwy
Applecross WA 6153
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STOCK EXCHANGE LISTING

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

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DIRECTORS' REPORT

CHAIRMAN'S REPORT

Dear Shareholders

Whilst I have only recently joined the Board of Catalyst Metals Ltd, I have been a shareholder and interested stakeholder for a much longer period.

Catalyst has spent the last 12 months focused on reducing non-core costs and ensuring the majority of cash expenditure was incurred on exploration activities or the evaluation of opportunities. This focus on expenditure reduction has ensured that the Company still has cash reserves of \$1.5 million. This was assisted by the placement of 3.5 million shares in July 2009 at 10 cents per share to raise \$353,000 which was at a premium to the prevailing share price at that time.

During the year Catalyst has continued exploration at its Minnie Springs Project, with field work concentrating on molybdenum and rhenium prospects. Work also continued on the Nina Project which is 15km north of Minnie Springs. Nina is prospective for high grade tungsten and is deserving of follow-up exploration. Ground checking of potential uranium paleo channels is also occurring at Blue Bush Well.

At the Everton Molybdenum Project near Wangaratta in Victoria, work focused on the granting of permits for the Everton Quarry drilling program, which is scheduled to commence in the second half of 2009. The Everton Molybdenum Mine was one of the largest historical producers of molybdenum in Australia, and the Company has the right to earn up to a 90% interest in this project. Currently, Catalyst holds 10%, which will increase to 51% at the completion of the drilling program.

Catalyst has also been actively reviewing several other resources opportunities, none of which have satisfied the investment criteria of the Board. The Company was accepted as a qualified party to tender on a Chilean "slag retreatment" project, however, Catalyst withdrew from the opportunity following a subsequent due diligence review.

I would like to thank my predecessor Nathan McMahon for keeping a tight rein on costs and preserving the Company's cash during the last 12 months whilst the resource industry has been suffering the effects of the global financial crisis.

I would also like to take this opportunity to thank Bryan Dixon for his efforts as a director and to welcome Robin Scrimgeour who has recently joined me on the Board.

Your Board is committed to adding value for the benefit of all shareholders by the development of its existing projects and/or the acquisition of additional resource opportunities. On behalf of the Board I would like to thank shareholders, directors and consultants for their continued support.



Stephen Boston
Chairman
29 September 2009

DIRECTORS' REPORT

The Directors present their report on Catalyst Metals Limited for the year ended 30 June 2009.

DIRECTORS

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

Stephen Boston (Appointed 1 September 2009)
Robin Scrimgeour (Appointed 1 September 2009)
Mark Thompson (Resigned 25 September 2009)
Nathan McMahon (Resigned 1 September 2009)
Bryan Dixon (Resigned 1 September 2009)

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

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 Molybdenum exploration of its Minnie Creek Project in Western Australia and Everton Project in Victoria.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the year ended 30 June 2009 was \$1,514,626 (2008: \$130,431).

The Company's basic loss per share for the year was 6.4 cents (2008: 0.6 cents).

DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2009.

EMPLOYEES

The Company employed 3 employees as at 30 June 2009 (2008: 3).

REVIEW OF OPERATIONS

Minnie Creek Project (WA)

During the year work continued at the 90% owned Minnie Creek Project (MCP) which is situated within the Gascoyne Mineral Field of Western Australia, approximately 240 km northeast of Carnarvon. Previous exploration undertaken by Catalyst resulted in the discovery of the Minnie Springs Molybdenum prospect where drilling included highlights such as 31 metres at 1090ppm Mo (0.11% Mo) from 74 metres depth and 22 metres at 1030ppm Mo (0.10% Mo) from 46 metres depth (Refer ASX release "CYL Quarterly for Period Ending 30 June 2008").

Minnie Springs Molybdenum Prospect

Metallurgical Testwork

During the period a preliminary program of metallurgical testwork was undertaken to assess the amenability of Minnie Springs molybdenum mineralisation to recovery by gravity separation and flotation processes.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Drill core composite sample material used in the testwork showed positive metallurgical results with:

- molybdenum and rhenium recovered in industry standard flotation processes at coarse grind sizes (approximately 250 micron) and
- a notable advantageous suppression of pyrite and response to the cheaper of flotation reagents.

The resultant molybdenite concentrate was very 'clean' with very low levels of bismuth and arsenic that can be penalty-inducing elements in a molybdenite concentrate. The results showed that gravity methods are effective in the recovery and concentrate of the molybdenum prior to the flotation stage. This has potential benefits for decreasing the scale of downstream milling processes and associated costs.

Multi-element Cu, Ag, Re Analysis

In parallel with metallurgical testwork a program of multi-element analysis of diamond drill holes MSD004-MSD009 was undertaken with results:

- returning encouraging elevated rhenium (Re) levels (up to 7.32 g/t Re) which correlated strongly with intervals of molybdenum mineralisation and
- low quantities of copper (a potentially deleterious element for a molybdenite concentrate).

Minnie Springs Exploration

Ground reconnaissance aided by UV night lamp prospecting was completed over selected targets located within a large coincident Cu and W in soils anomaly adjacent to the Minnie Springs Molybdenum Prospect. Overall, trace to locally minor occurrences of visible tungsten occurring as scheelite were observed along with isolated float boulders containing scheelite occurring either as disseminations or fracture fillings. Results of selective sampling of isolated float boulders returned 1.58% W and 0.06% W.

Nina Tungsten Prospect

The Nina prospect is located approximately 15 km north of the Minnie Springs molybdenum prospect and represents a new discovery of potentially high grade tungsten (W) ± molybdenum (Mo), Copper (Cu), Gold (Au) mineralisation associated with either coarse grained quartz - scheelite veins or areas of disseminations.

Two field programmes were completed during the year with results of reconnaissance prospecting and sampling successfully defining a 450m x 120m zone of mineralisation. Within this zone at least eight discrete scheelite bearing quartz veins have been interpreted with the largest vein having a strike length of ~100m and thickness of up to 1.5m. At least two generations of variably deformed quartz veins are interpreted to be present throughout the prospect area while host rocks are interpreted to consist principally of a variably deformed and retrograde altered mafic unit of undetermined origin.

Highlights of reconnaissance sampling included grab samples which returned up to 10.5% W, 1.23 g/t Au, 0.15% Cu, 0.03% Mo and channel samples across vein faces which returned 1.5m @0.4% W, 1.2m @0.13% W and 0.4m @0.7% W.

An application for further ground located to the east of the 'Nina' prospect has been submitted to cover extensions along strike where further anomalous levels of tungsten were returned from prior historic exploration.

Blue Bush Well

First pass ground reconnaissance of priority uranium radiometric anomalies identified from airborne and ground radiometric data has been completed. Results of selective sampling returned low to moderately elevated levels of uranium (up to 129ppm) which are interpreted as being sourced from secondary enriched paleo-channel deposits containing variable calcrete/silcrete contents.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Everton Molybdenum Project (Vic)

The Everton Molybdenum Project consists of a ~67km² area strategically covering the Everton Molybdenite Field which importantly includes the historic Everton Mining Operation. The Everton Mine, which to this day remains one of the most significant historic Molybdenum producers in Australia, treated approximately 21,000 tonnes ore at an average grade 1.40% MoS₂ (8392ppm Mo). Although since the early parts of the 20th century the Everton area has been recognised as containing multiple historic molybdenum deposits/occurrences relatively limited systematic modern exploration has been undertaken.

Highlights of work undertaken during the year at the Everton Molybdenum project included:

- Finalisation and submission of a "standard work plan" for a 1000m diamond and ≤300m shallow percussion drilling program covering the historic Everton mine/quarry area,
- Completion of 1:1000 scale mapping covering the historic Everton Mine/Quarry area,
- Completion of a grid based rock chip and soil sampling program over the Trig Hill prospect,
- Completion of reconnaissance sampling covering the greater historic Everton Mine area,
- Finalisation of land access agreements with private property owners and the local Everton quarry operators (North Eastern Catchment Management Authority).

Mapping

Mapping of the quarry area has demonstrated that the Everton Intrusive body is multiphase and has intruded into a sequence of bedded meta-psammite and meta-siltstone sequences. Molybdenum mineralisation generally displays a strong association with areas of quartz veining (either within or adjacent) but also occurs within fractures/joints or as areas of lower grade disseminations. Associated sulphides predominantly consist of pyrite with lesser amounts of pyrrhotite, chalcopyrite, and arsenopyrite.

Trig Hill Prospect

At the Trig Hill Prospect, which is located approximately 2.5km south of the historic Everton Mine, a systematic 50m x 50m grid soil and rockchip sampling program for respectively 128 and 167 samples was undertaken. Results successfully outlined a surface anomaly measuring ~200m x ~200m defined by >250ppm Mo in rocks and >100ppm Mo in soils over the southern parts of the grid. Preliminary ground follow-up within this area identified moderate to weakly developed stockworks of quartz veinlets/veins (<5cm) associated with trace visible molybdenum hosted by a felsic intrusive.

Reconnaissance Exploration

Results of reconnaissance sampling completed along strike from the historic Everton mine area confirmed the continuation of mineralisation north from the quarry area with the return of results up to: 0.07% Mo, 0.9% Cu, 0.8g/t Au, 1.2% Pb, 0.2g/t Re, 312g/t Ag and 0.2% Zn.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 31 December 2008 11,152,500 \$0.20 listed options expired unexercised.

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.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2009, 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; other than:

On 16 July 2009, 1,050,000 unlisted executive options expired unexercised.

On 26 July 2009, 4,000,000 Class A Incentive Shares and 4,000,000 Class B Incentive Shares converted into 89 ordinary shares in the Company in accordance with the Incentive Shares terms and conditions.

On 30 July 2009, the Company issued 3,530,000 ordinary shares at 10 cents per share to raise \$353,000. The funds raised are to be used for further exploration of the Everton project and to provide additional working capital for the Company.

On 1 September 2009, the Company announced the appointment of Mr Stephen Boston and Mr Robin Scrimgeour as non-executive Directors of the company and that Mr Nathan McMahon and Mr Bryan Dixon resigned as Directors.

On 25 September 2009, the Company announced that Mr Mark Thompson resigned as a Director of the Company.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities was \$1,407,310 at 30 June 2009 (2008: \$1,990,052).

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.

INFORMATION ON DIRECTORS

Stephen Boston (Non-Executive Chairman)

Mr Boston is the Principal of a Perth based private investment bank specialising in the Australian resources sector. Mr Boston previously worked as a stockbroker from 1984 to 1998 in Perth and Sydney. Mr Boston holds a Bachelor of Arts from the University of Western Australia.

Memberships: Senior Associate – Financial Services Institute of Australia
Member - Australian Institute of Company Directors

Special Responsibilities: On-going corporate and management advice, capital raisings, investor relations, risk identification, corporate governance.

Directorships: None

Interests in shares and options: Direct: Nil
Indirect¹: 3,388,094 Ordinary Shares

¹ Held by Equity West Pty Ltd, a company in which Mr Boston holds a relevant interest

DIRECTORS' REPORT

Robin Scrimgeour (Non-Executive Director)

Mr Scrimgeour has worked for the last 17 years for Credit Suisse in London, Tokyo, Hong Kong and Singapore. His most recent experience has been providing structured hybrid financing for corporates in Asia for project and acquisitions concentrated in the primary resources sector. Mr Scrimgeour's previous experience was as a senior equity derivatives trader involved in the pricing of complex structured equity derivative instruments for both private and corporate clients focused in Asia. Mr Scrimgeour holds a Bachelor of Economics with Honours from the University of Western Australia.

Special Responsibilities: On-going corporate and management advice, capital raisings, investor relations, risk identification, corporate governance.

Directorships: None

Interests in shares and options: Direct: 1,100,000 Ordinary Shares
Indirect¹: 3,388,094 Ordinary Shares

¹ Held by Equity West Pty Ltd, a company in which Mr Scrimgeour holds a relevant interest

Lisa Wynne (Company Secretary)

Ms Wynne has a Bachelor of Commerce and is a Chartered Accountant with significant experience working with listed entities in senior financial roles responsible for management and financial reporting, taxation, and ensuring continuous disclosure and compliance. Ms Wynne presently works with a number of emerging ASX listed resource companies and specialises in financial and company secretarial transaction and corporate work.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the financial year was:

	Board Meetings		Audit Committee Meetings	
	Number held and entitled to attend	Number Attended	Number held and entitled to attend	Number Attended
Mark Thompson (resigned 25 Sep 2009)	7	6	-	-
Bryan Dixon (resigned 1 Sep 2009)	7	7	2	2
Nathan McMahon (resigned 1 Sep 2009)	7	6	2	2
Stephen Boston (appointed 1 Sep 2009)	-	-	-	-
Robin Scrimgeour (appointed 1 Sep 2009)	-	-	-	-

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.

The Directors of the Company have reviewed the requirements under the National Greenhouse Emission Regulation ("NGER"). NGER has no impact on the Company.

DIRECTORS' REPORT

REMUNERATION REPORT

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 no unissued ordinary shares under option.

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.

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 is 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 has been 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.

DIRECTORS' REPORT

REMUNERATION REPORT

Details of Remuneration for Year Ended 30 June 2009

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 Ms Wynne, executive officer who's remuneration must be disclosed under the Corporations Act 2001, being one of the 5 highest remunerated executives.

2009 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⁾	30,000	-	-	-	30,000
N McMahon ⁽ⁱⁱ⁾	37,500	-	-	-	37,500
M Thompson ⁽ⁱⁱⁱ⁾	30,000	54,535 ⁽ⁱⁱⁱ⁾	-	-	84,535
Total key management personnel compensation	97,500	54,535	-	-	152,035
<i>Other company officers</i>					
L Wynne	-	17,530 ^(iv)	-	-	17,530

⁽ⁱ⁾ Mr Dixon's directors fees were paid to Warrior Strategic Pty Ltd, a company in which Mr Dixon has a relevant interest.

⁽ⁱⁱ⁾ Mr McMahon's fees were paid to Kingsreef Pty Ltd, a company in which Mr McMahon has a relevant interest. \$30,000 of Mr McMahon's Director's fee were accrued at year end.

⁽ⁱⁱⁱ⁾ Mr Thompson's directors fees were paid to Lateral Minerals Pty Ltd, a company in which Mr Thompson has a relevant interest. Red Dog Prospecting Pty Ltd was paid \$54,535 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 \$17,530 for the provision of accounting, compliance and company secretarial services.

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 (to July 2007)	2,750	-	-	-	2,750
M Carson (from 26 May 2006 to 3 Aug 2007)	-	-	-	-	-
H Dawson (to July 2007) ⁽ⁱⁱ⁾	6,875	-	-	-	6,875
	3,058	14,437 ⁽ⁱⁱⁱ⁾	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

Employment Contracts of Directors and Senior Executives

All directors have service agreements in place with the company.

Mr McMahon receives 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 exploration services on top of his director's duties.

Mr Dixon receives 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.

No options were issued during the 2009 financial period.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Directors and Officers have indemnities and insurance policies in place during the financial year.

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 2009:

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 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.



Stephen Boston
Non Executive Chairman

Perth, Western Australia
29 September 2009

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RSM Bird Cameron Partners

Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Catalyst Metals Limited for the year ended 30 June 2009, 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.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



S C CUBITT
Partner

Perth, WA
Dated: 29 September 2009

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BALANCE SHEET
As at 30 June 2009

	Note	2009 \$	2008 \$
Current Assets			
Cash and cash equivalents	6	1,415,701	2,028,119
Trade and other receivables	7	58,564	14,179
Other financial assets	8	1,368	3,160
Total Current Assets		<u>1,475,633</u>	<u>2,045,458</u>
Non-Current Assets			
Property, plant and equipment	9	8,516	15,933
Exploration and evaluation expenditure	10	162,294	1,086,761
Total Non-Current Assets		<u>170,810</u>	<u>1,102,694</u>
TOTAL ASSETS		<u>1,646,443</u>	<u>3,148,152</u>
Current Liabilities			
Trade and other payables	11	68,323	55,406
TOTAL LIABILITIES		<u>68,323</u>	<u>55,406</u>
NET ASSETS		<u>1,578,120</u>	<u>3,092,746</u>
Equity			
Contributed equity	12	3,356,710	3,356,710
Share-based payments reserve	13	82,609	82,609
Accumulated losses	13	(1,861,199)	(346,573)
TOTAL EQUITY		<u>1,578,120</u>	<u>3,092,746</u>

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

INCOME STATEMENT
For the Year Ended 30 June 2009

	Note	2009 \$	2008 \$
Revenue	2	120,339	163,589
Occupancy costs		(22,448)	(27,096)
Professional fees		(39,816)	(94,815)
Administration costs		(53,992)	(99,784)
Personnel		(90,000)	(43,616)
Corporate		(41,779)	(18,846)
Exploration costs written off		(1,384,933)	(8,853)
Other		(1,997)	(1,010)
Loss before income tax expense	3	<u>(1,514,626)</u>	<u>(130,431)</u>
Income tax expense	5	<u>-</u>	<u>-</u>
Net loss attributable to members of Company		<u>(1,514,626)</u>	<u>(130,431)</u>
Basic loss per share (cents per share)	4	(6.4 cents)	(0.6 cents)
Diluted loss per share (cents per share)	4	(6.4 cents)	(0.6 cents)

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

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STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2009

	Issued Capital \$	Accumulated losses \$	Share-based payments reserve \$	Total \$
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
Loss for the year	-	(1,514,626)	-	(1,514,626)
Balance at 30 June 2009	3,356,710	(1,861,199)	82,609	1,578,120

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 2009

	Note	2009 \$	2008 \$
Cash Flows from Operating Activities			
Payments for exploration and evaluation		(399,307)	(510,798)
Payments to suppliers, contractors and employees		(199,958)	(296,240)
Interest received		84,912	167,149
Net cash flows used in operating activities	14	<u>(514,353)</u>	<u>(639,889)</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(324)	(9,128)
Payments for exploration property		(97,741)	(60,900)
Payments for financial assets		-	(4,040)
Net cash flows used in investing activities		<u>(98,065)</u>	<u>(74,068)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		-	94,500
Net cash flows from financing activities		<u>-</u>	<u>94,500</u>
Net decrease in cash and cash equivalents		(612,418)	(619,457)
Cash and cash equivalents at the beginning of the financial year		<u>2,028,119</u>	<u>2,647,576</u>
Cash and cash equivalents at the end of the financial year	6	<u>1,415,701</u>	<u>2,028,119</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 2009

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 29 September 2009.

(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 2009

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 transaction 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 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 2009

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 company 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 2009

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 2009

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 2009

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

(q) 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 Company'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 for Application in Future Periods

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

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Company. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2009

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

(r) New Accounting Standards for Application in Future Periods (cont'd)

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Company as a policy of capitalising qualifying borrowing costs has been maintained by the Company.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.
- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Company.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Company.

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2009

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

(r) New Accounting Standards for Application in Future Periods (cont'd)

- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

	2009 \$	2008 \$
2. Revenue		
Interest received	87,454	163,589
Other revenue	32,885	-
	120,339	163,589
3. Expenses		
<i>Loss before income tax includes the following specific expenses:</i>		
Directors fees	97,500	71,357
Exploration written off (refer note 1(h))	1,384,933	8,853
Depreciation	7,741	6,297
Project costs	97,740	68,679
(Gain)/loss on fair value of other financial assets	1,792	880
4. Earnings per Share	2009	2008
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	23,558,137	23,406,711

- (i) Diluted earnings per share are calculated after classifying all options on issue remaining unconverted at 30 June 2009 as potential ordinary shares. As at 30 June 2009, the Company has 1,050,000 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.

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

5. Income tax	2009	2008
	\$	\$
Loss before tax	(1,514,626)	(130,431)
Prima facie tax on operating loss before income tax at 30%	(454,387)	(39,129)
Tax effect of:		
- non deductible items	(9,516)	124
- deductible capital raising expenditure	-	(13,547)
Deferred tax asset not brought to account at balance date as realisation of the benefit is not probable	463,903	52,552
Income tax attributable to operating loss	<u>-</u>	<u>-</u>
Unrecognised deferred tax balances		
The directors estimate that the potential deferred tax benefits not brought to account at balance date is approximately:		
Tax losses	2,049,824	355,700
Temporary differences	(34,083)	1,008,324
	<u>2,015,741</u>	<u>1,364,024</u>
Net unrecognised deferred tax asset at 30%	<u>604,722</u>	<u>409,602</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.

	2009	2008
	\$	\$
6. Cash and cash equivalents		
Cash at bank	<u>1,415,701</u>	<u>2,028,119</u>
7. Trade and other receivables		
Sundry debtors	<u>58,564</u>	<u>14,179</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 2009

	2009 \$	2008 \$
8. Financial assets at fair value through profit or loss		
<i>Current</i>		
Shares - in listed corporation - at fair value	1,368	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.

	Computer equipment	Furniture, fittings and equipment	Total \$
9. Property, plant and equipment			
Year ended 30 June 2009			
Opening net book amount 1 July 2008	5,140	10,793	15,933
Additions	-	324	324
Disposals	-	-	-
Depreciation charge	(2,357)	(5,384)	(7,741)
Closing net book amount 30 June 2009	2,783	5,733	8,516
At 30 June 2009			
Cost or fair value	7,412	16,212	23,624
Accumulated depreciation	(4,776)	(10,332)	(15,108)
Net book amount	2,636	5,880	8,516

	2009 \$	2008 \$
10. Exploration and evaluation expenditure		
Opening balance	1,086,761	523,077
Additions	460,466	572,537
Exploration written off (refer note 1(h))	(1,384,933)	(8,853)
Closing balance	162,294	1,086,761

	2009 \$	2008 \$
11. Trade and other payables		
Current Payables		
Trade creditors	28,323	16,512
Accruals	40,000	38,894
	68,323	55,406

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

		2009 Number	2009 \$	2008 Number	2008 \$
12.	Contributed Equity				
	(a) Share capital				
	Ordinary shares				
	Fully paid	(c) 23,558,137	3,348,710	23,558,137	3,249,407
	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>31,558,137</u>	<u>3,356,710</u>	<u>31,558,137</u>	<u>3,257,407</u>
	(b) Other equity securities				
	Options – Listed	(d) -	-	11,152,500	99,303
	Options - Unlisted	1,050,000	-	1,050,000	-
	Total contributed equity		<u>3,356,710</u>		<u>3,356,710</u>

(c) Movements in Ordinary Shares

Details	Number of Shares	Issue price	\$
Balance at 30 June 2007	23,000,000		3,151,432
Issue of shares	210,637	\$0.1187	25,000
Exercise of options	347,500	\$0.2000	69,500
Transfer from option reserve	-		<u>3,475</u>
Balance at 30 June 2008	<u>23,558,137</u>		<u>3,249,407</u>
Transfer from option reserve	-		<u>99,303</u>
Balance at 30 June 2009	<u>23,558,137</u>		<u>3,348,710</u>

(d) Movements in other equity securities

Details	Number of Shares	Issue price	\$
Listed Options			
Balance at 30 June 2007	11,500,000		102,778
Exercise of options	<u>(347,500)</u>	0.01	<u>(3,475)</u>
Balance at 30 June 2008	<u>11,152,500</u>		<u>99,303</u>
Lapsed options	<u>(11,152,500)</u>		<u>(99,303)</u>
Balance at 30 June 2009	<u>-</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.

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NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2009

12. Contributed Equity (Cont.)

(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:
 - (i) the volume weighted average price for 30 days of Catalyst Metals Limited ordinary shares exceeds \$0.50 or;
 - (ii) the Company directly or indirectly secures an asset with JORC measured, indicated and inferred resources exceeding 150,000 gold equivalent ounces;
 - (iii) a takeover bid becoming unconditional; entering into and the Court approving a solvent scheme of arrangement or reconstruction which has 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:
 - (i) the volume weighted average price for 30 days of Catalyst Metals Limited ordinary shares exceeds \$0.75 or;
 - (ii) the Company directly or indirectly secures an asset with JORC measured, indicated and inferred resources exceeding 225,000 gold equivalent ounces;
 - (iii) a takeover bid becoming unconditional; entering into and the Court approving a solvent scheme of arrangement or reconstruction which has 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.

(g) Options

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 16 July 2009. The options were issued as three different series, with strike price of \$0.25, \$0.30 and \$0.35 respectively. These Options lapse at 5.00pm WST on 16 July 2009.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

12. Contributed Equity (Cont.)

(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 2009 and no dividends are expected to be paid in 2010.

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.

13. Reserves & Retained Profits

a) Reserves

	2009 \$	2008 \$
<i>Share-based payments reserve</i>		
Balance at the beginning of the year	82,609	82,609
Share balance payments expense	-	-
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	346,573	216,142
Loss for the year	<u>1,514,626</u>	<u>130,431</u>
Balance at the end of the year	<u>1,861,199</u>	<u>346,573</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

14. Notes to the Cash Flow Statement

(a) Reconciliation of net cash used in operating activities to operating loss after income tax

	2009 \$	2008 \$
Operating loss after tax	(1,514,626)	(130,431)
<i>Add non cash items:</i>		
Depreciation	7,741	6,297
Net loss on disposal of non-current assets	-	-
Share-based payments expense	-	-
(Gain)/loss on fair value of other financial assets	1,792	880
Exploration written off	1,384,933	8,853
<i>Changes in net assets and liabilities</i>		
Increase in receivables	(34,170)	(206)
Increase/(decrease) in payables	31,597	(13,644)
Increase in exploration	(391,620)	(511,638)
Net cash outflow from operating activities	<u>(514,353)</u>	<u>(639,889)</u>

(b) Non-cash financing and investing activities

The Company did not have any non-cash financing or investing activities during the year (2008: Nil)

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

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
M Thompson	Non-Executive Director
B Dixon	Non-Executive Director

Executives & Officers

L Wynne	Company Secretary
---------	-------------------

All of the above persons were also key management persons during the year ended 30 June 2009.

(b) Key management personnel remunerations

	2009	2008
Short-term employee benefits	169,565	216,739
Post-employment benefits	-	275
Share based payments	-	-
	<u>169,565</u>	<u>217,014</u>

Detailed remuneration disclosures have been transferred to the Director's Report on pages 9 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 9 to 11 of the Directors' Report.

(ii) Option holdings

The number 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:

2009						
Directors	<i>Balance at beginning of year</i>	<i>Granted as compensation</i>	<i>Exercised</i>	<i>Other changes ¹</i>	<i>Balance at end of year</i>	<i>Vested and exercisable</i>
M Thompson	1,595,000	-	-	(545,000)	1,050,000	1,050,000
Bryan Dixon	-	-	-	-	-	-
Nathan McMahon	-	-	-	-	-	-
Other key management personnel						
Lisa Wynne	9,375	-	-	-	9,375	-

¹ 545,000 listed options expired on 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

15. **Key Management Personnel Compensation (cont'd)**
2008

Directors	<i>Balance at beginning of year</i>	<i>Granted as compensation</i>	<i>Exercised</i>	<i>Other changes</i>	<i>Balance at end of year</i>	<i>Vested and exercisable</i>
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) ⁽ⁱ⁾	-	-
H Dawson	395,000	-	-	(395,000) ⁽ⁱ⁾	-	-
M Carson	10,000	-	-	(10,000) ⁽ⁱⁱ⁾	-	-
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.

(iii) *Shareholdings*

Ordinary Shares

The number 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.

2009

Directors	<i>Balance at beginning of year</i>	<i>Purchased</i>	<i>Other changes</i>	<i>Balance at end of year</i>
M Thompson	1,265,250	-	-	1,265,250
Bryan Dixon	-	-	-	-
Nathan McMahon	900,000	-	-	900,000
Other key management personnel				
Lisa Wynne	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

15. Key Management Personnel Compensation (cont'd)
2008

Directors	Balance at beginning of year	Received during the year on exercise of options	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 either 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.

(d) Equity instrument disclosures relating to key management personnel

Incentive shares

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

2009

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	-	-	-	-	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

15. Key Management Personnel Compensation (cont'd)

(d) 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.

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:

	2009	2008
	\$	\$
<i>Purchases</i>		
Rent of office building	26,400	29,806
Administrative and office overheads	10,543	3,804
Exploration services and vehicle hire	59,988	83,589
<i>Sales</i>		
Reimbursements for secretarial services	-	605

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 options 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

	2009 \$	2008 \$
18. Auditors' Remuneration		
Amounts received or due and receivable by the auditors for:		
Auditing accounts	15,750	12,750
Other services	-	-
	<u>15,750</u>	<u>12,750</u>

- 19. Commitments**
There were no outstanding commitments, which are not disclosed in the financial statements as at 30 June 2009 other than:

	2009 \$	2008 \$
<i>(a) Tenement commitments</i>		
No later than 1 year	295,000	310,000
Later than 1 year but not later than 5 years	-	-
	<u>295,000</u>	<u>310,000</u>

20. Financial Instruments

	Notes	Floating Interest Rate \$	1 year or less \$	Over 1-5 years \$	Non interest bearing \$	Total \$
2009						
Financial assets						
Cash and cash equivalents	6	4.02%	1,409,319	-	6,382	1,415,701
Trade and other receivables	7	-	-	-	58,564	58,564
Other financial assets		-	-	-	1,368	1,368
Total financial assets			<u>1,409,319</u>	<u>-</u>	<u>66,314</u>	<u>1,475,633</u>
Financial liabilities						
Trade and other payables	11		-	-	68,323	68,323
Total financial liabilities			<u>-</u>	<u>-</u>	<u>68,323</u>	<u>68,323</u>
Net financial assets/(liabilities)			<u>1,409,319</u>	<u>-</u>	<u>(2,009)</u>	<u>1,407,310</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

20. Financial Instruments (Cont.)

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>

Reconciliation of net financial assets to net assets

	2009	2008
	\$	\$
Net Financial Assets	1,407,310	1,990,052
Property, plant & equipment	8,516	15,933
Exploration expenditure	<u>162,294</u>	<u>1,086,761</u>
Net Assets	<u>1,578,120</u>	<u>3,092,746</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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

20. Financial Instruments (Cont.)

Market 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 2009, 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 \$14,903 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

22. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2009, 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 other than:

On 16 July 2009, 1,050,000 unlisted executive options expired unexercised.

On 26 July 2009, 4,000,000 Class A Incentive Shares and 4,000,000 Class B Incentive Shares converted into 89 ordinary shares in the Company in accordance with the Incentive Shares terms and conditions.

On 30 July 2009, the Company issued 3,530,000 ordinary shares at 10 cents per share to raise \$353,000. The funds raised are to be used for further exploration of the Everton project and to provide additional working capital for the Company.

On 1 September 2009, the Company announced the appointment of Mr Stephen Boston and Mr Robin Scrimgeour as non-executive Directors of the company and that Mr Nathan McMahon and Mr Bryan Dixon resigned as Directors.

On 25 September 2009, the Company announced that Mr Mark Thompson resigned as a Director of the Company.

23. Contingent Liabilities and Contingent Assets

The Company does not have any contingent liabilities or contingent assets at 30 June 2009.

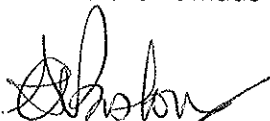
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DIRECTORS' DECLARATION

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 2009 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.



Stephen Boston
Non Executive Director

Dated at Perth this 29th day of September 2009

RSM Bird Cameron Partners

Chartered Accountants

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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 2009, 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, 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.

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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 2009 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the financial year ended 30 June 2009. 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 2009 complies with section 300A of the *Corporations Act 2001*.


RSM BIRD CAMERON PARTNERS
Chartered Accountants


S C CUBITT
Partner

Perth, WA
Dated: 29 September 2009

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

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.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

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

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:

- develop initiatives for profit and assets growth;
- review the corporate, commercial and financial performance of the Company on a regular basis;
- act on behalf of, and be accountable to, the Shareholders;
- identify business risks and implement actions to manage those risks;
- develop and effect management and corporate systems to assure quality;
- review the Company's systems of risk management and internal compliance and control, codes of conduct and legal compliance; and
- ensure that policies and procedures are in place consistent with the Company's objectives, and ensure 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.

Senior Executives evaluation

The Board consists of two (2) members, none of which hold executive roles. The Board therefore undertakes ongoing self-assessment and review of performance of the Board, and individual directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance.

To facilitate optimal performance, the Executives participate in professional development programs.

CORPORATE GOVERNANCE

Principle 2: Structure the board to add value

Composition

The board currently consists of two 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:

Stephen Boston – Chairman

Non Independent Non-executive Chairman since September 2009

Term in office – 1 month

Mr Boston is the Principal of a Perth based private investment bank specialising in the Australian resources sector. Previously Mr Boston worked as a stockbroker from 1984 to 1998 in Perth and Sydney. Mr Boston holds a Bachelor of Arts from the University of Western Australia.

Robin Scrimgeour

Non Independent Non-executive director since September 2009

Term in office – 1 month

Mr Scrimgeour has worked for the last 17 years for Credit Suisse in London, Tokyo, Hong Kong and Singapore where he has specialised in providing structured hybrid financing to Asian corporates for resource sector projects and acquisitions. Previously Mr Scrimgeour was a senior equity derivatives trader involved in the pricing of complex structured equity derivative instruments for both private and corporate clients focused in Asia. Mr Scrimgeour holds a Bachelor of Economics with Honours from the University of Western Australia.

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 "Corporate Governance Principles and Recommendations, 2nd Edition."

None of the Directors are considered Independent. 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; and
- That such non-executive Director's are free from any interest and any business or other relationship which could, or could reasonably 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 Boston does not meet the Company's criteria for independence. Mr Boston has a material shareholding in the Company. Mr Boston'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.

Mr Scrimgeour does not meet the Company's criteria for independence. Mr Scrimgeour has a material shareholding in the Company. Mr Scrimgeour'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.

It should also be noted that due to the recent changes in the structure of the Catalyst Board, the remaining directors have commenced the process of identifying suitably qualified candidates to be appointed to the Catalyst Board.

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.

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.

Principle 4: Safeguard integrity of financial reporting

Audit Committee

The Board has established an audit committee charter of the Board which 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.

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 are informed of all significant developments 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.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

CORPORATE GOVERNANCE

- Board receives regular updates on key risks associated with the development of the Company's Everton Project;

The Board will seek to develop a more extensive Risk Management Policy over the coming year, which can then be used as a guide to be used throughout the company in identifying and communicating business risks.

The Board has received assurance from the Company Secretary and Mr Boston 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: 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.

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.

Full details regarding the remuneration of Directors, is included in the Directors' Report.

CORPORATE GOVERNANCE

Explanation of departure

During the financial year Catalyst Metals Limited strived to comply with the 8 Essential Corporate Governance Principles and Recommendations where appropriate for the size and nature of the Company and Industry in which it operates. A summary of departure from the ASX Corporate Governance Principles and Recommendations is outlined below:

ASX Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1 & 2.2 Structure of the Board	A majority of the board are not independent directors and the Chair does not meet the criteria for Independence	<p>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 form time to time, however the Board also recognises that complying with ASX Corporate Governance Council Recommendations 2.1 and 2.2 is impractical given the size of the company and the industry in which it operates. The Board instead aims to assess the independence of the Company's non-executive Directors on an ongoing basis requiring full disclosure where conflicts of interest arise.</p> <p>The Board (subject to members' voting rights in general meeting) is responsible for selection of new board members and succession planning, and has regard to a candidate's experience and competence in areas such as exploration, financial and administration. The wide commercial and technical experience of Messrs Boston and Scrimgeour assists Catalyst Metals Limited in meeting its corporate objectives and plans.</p>
2.3 The roles of Chair and CEO should not be exercised by the same individual	The role of the Chair and CEO are exercised by the same individual	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 form time to time, however the Board also recognises that complying with ASX Corporate Governance Council Recommendation 2.3 is impractical given the size of the company and the industry in which it operates. The Directors believe, it is sufficient for the Chairman to assume those responsibilities that are ordinarily assigned to a CEO at this stage.
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 form time to time, however the Board also recognises that complying with 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.
4.1 & 4.2 The board should establish an audit committee	The full board assumes the role of the audit 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 form time to time, however the Board also recognises that complying with ASX Corporate Governance Council Recommendation 4.1 and 4.2 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 an audit committee.
8.1 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 form time to time, however the Board also recognises that complying with ASX Corporate Governance Council Recommendation 8.1 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.

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 15 September 2009.

DISTRIBUTION OF SHAREHOLDERS

Analysis of numbers of equity security holders by size of holding

	<u>Fully Paid Ordinary Shares</u>
1-1,000	4
1,001 - 5,000	53
5,001 - 10,000	74
10,001 - 100,000	220
100,001 and over	38
	<hr/>
	389
	<hr/>
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
1. Equity West Ltd	3,388,094	12.51
2. Caudle Gavin	1,250,000	4.61
3. Chepalix Pty Ltd	1,100,000	4.06
4. Robin Scrimgeour	1,100,000	4.06
5. Lateral Minerals Pty Ltd	1,000,020	3.69
6. Dawson Howard	970,012	3.58
7. Jodie Marwick	935,016	3.45
8. Teagle Kenneth Raymond	925,000	3.41
9. Mining Tenement Management Pty Ltd	600,000	2.21
10. Widerange Corp Pty Ltd	534,545	1.97
11. Kingsreef Pty Ltd	500,000	1.85
12. Drill Investments Pty Ltd	500,000	1.85
13. Vestcourt Pty Ltd	500,000	1.85
14. Edwards Sandra Louise	470,002	1.74
15. Kingsreef Pty Ltd	400,000	1.48
16. Mark James Thompson	265,250	0.98
17. CP McLoughlin S/F	265,000	0.98
18. Canaccord Cap Aust Pty Ltd	257,000	0.95
19. David John Sharp	255,000	0.94
20. Mimosa Nom Pty Ltd	250,000	0.92
	<hr/>	
	15,464,939	57.09

ASX ADDITIONAL INFORMATION (continued)

UNQUOTED EQUITY SECURITIES

There are no unquoted securities as at 15 September 2009

SUBSTANTIAL SHAREHOLDERS

Ordinary shareholders	Number	Fully Paid Percentage
Equity West Limited	3,388,094	12.51

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.

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%
Michelles Well	E09/1291	90%
Bluebush Well	E09/1303	90%
Everton	EL4866	10%
Wanna	E09/1619	Application

Competent Persons Statement

The information in the directors report that relates to Exploration Results has been compiled by an independent consultant Dylan Jeffriess, B.Sc (Hons) Geol.(MAIG, MSEG). This report has been reviewed by independent consultant Dylan Jeffriess, 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.