



catalyst
METALS LTD

ABN 54 118 912 495

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2010

CATALYST METALS LIMITED

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CATALYST METALS LIMITED

CORPORATE DIRECTORY

DIRECTORS

Stephen Boston (Non-Executive Chairman)
Robin Scrimgeour (Non-Executive Director)
Gary Schwab (Non-Executive Director)

COMPANY SECRETARY

Frank Campagna

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

18 Emerald Terrace
West Perth, Western Australia 6005

Telephone: +618 9383 2825
Facsimile: +618 9284 5426
Email: admin@catalystmetals.com.au
Website: www.catalystmetals.com.au

AUDITORS

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Hwy
Applecross WA 6153

Telephone: +618 9315 2333
Facsimile: +618 9315 2233
Email: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au

STOCK EXCHANGE LISTING

The Company is listed on ASX Limited
Home Exchange – Perth
ASX code: CYL

CATALYST METALS LIMITED

CHAIRMAN'S REVIEW

Dear Shareholders

During the past 12 months the Company initiated a number of changes to the board; conducted a number of recapitalisations of the company (via placement) at a premium to market; secured tenure over its two major projects; continued to reduce corporate and administrative overheads; and evaluated a number of new opportunities.

In September 2009 Nathan McMahon, Bryan Dixon and Mark Thompson resigned from the Board and were replaced by Steve Boston, Robin Scrimgeour and Gary Schwab who joined in December 2009. Mr Frank Campagna was appointed as Company Secretary on 20 November 2009 following the resignation of Ms Lisa Wynne.

During the year the company raised a total of \$653,000 in equity funds through a private placement of 3,530,000 ordinary shares at a subscription price of 10 cents per share in July 2009 and a private placement of 3,000,000 ordinary shares at a subscription price of 10 cents per share in December 2009. Both these capital raisings were conducted at a premium to the prevailing market price of the Company's shares.

In September 2009 the Company announced that it had entered into an agreement to acquire a 100% interest in the tenements containing the Everton Molybdenum Project. Under the terms of the agreement, the consideration payable to the vendor comprised \$40,000 cash and 500,000 fully paid shares and the Company replacing the vendor's tenements work bond of \$10,000. This acquisition was completed in December 2009 following the approval of shareholders at the annual general meeting of the Company held on 20 November 2009. Registration of the Company's 100% beneficial interest in the Everton tenement (via a wholly owned subsidiary) was completed during the June 2010 quarter. An extension of the term of the license for a further five years was granted by the Victorian Department of Primary Industries in June 2010.

During the year the Company continued to advance work on the Minnie Creek project. Work undertaken focused on statutory reporting, tenement rationalisation and a review of project data and strategies. Results of the data review highlighted multiple targets some of which are located along strike from the Minnie Springs prospect that remain untested and require further work.

The board retained the services of a very experienced technical consultant during the year who will assist and advise the Board with regards to its current projects and any new opportunities.

I would like to welcome all the new shareholders who joined the register during the year as well as the original shareholders who have continued to support the Company.

As all shareholders are aware - your Board is committed to adding value for the benefit of all shareholders. On behalf of the Board I would like to thank shareholders, directors and consultants for their continued support.



Stephen Boston
Chairman

29 September 2010

CATALYST METALS LIMITED

DIRECTORS' REPORT

The Directors of Catalyst Metals Limited present their report on the consolidated entity for the year ended 30 June 2010.

DIRECTORS

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

Stephen Boston	(appointed on 1 September 2009)
Robin Scrimgeour	(appointed on 1 September 2009)
Gary Schwab	(appointed on 8 December 2009)
Nathan McMahon	(resigned on 1 September 2009)
Bryan Dixon	(resigned on 1 September 2009)
Mark Thompson	(resigned on 25 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

Frank Campagna

CORPORATE STRUCTURE

Catalyst Metals Limited is a company limited by shares that is incorporated and domiciled in Australia.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was mineral exploration and evaluation. There was no significant change in the nature of the activities during the year.

RESULTS OF OPERATIONS

The operating loss after income tax of the Group for the year ended 30 June 2010 was \$223,171 (2009: \$1,514,626).

DIVIDENDS

No dividend has been paid during or is recommended for the financial year ended 30 June 2010.

REVIEW OF OPERATIONS

During the year Catalyst continued to advance work on the Minnie Creek and Everton Molybdenum projects plus review a number of new commercial opportunities.

Minnie Creek Project (Western Australia)

At the Minnie Creek Project located in Western Australia work during the year focused on tenement rationalisation, review of project data and refinement of the Company's exploration plan. No field activities were completed in 2010 whilst this work was being undertaken.

An application submitted with the Western Australian Department of Mines and Petroleum for an extension of exploration license 09/1174 was formally granted on 29 March 2010 for a further period of two years. This exploration licence contains the Minnie Springs Prospect where exploration completed to date has intersected highly encouraging broad zones of molybdenum mineralization associated with a previously unrecognised intrusive hosted ferroalloy bearing mineral system.

Previous drilling by the Company returned a 61 metre intersection from 3 metres of 0.09% molybdenum (equivalent to 0.15% MoS₂). This includes a 5 metre intersection from 11 metres grading 0.23% molybdenum (0.38% MoS₂). High grades of molybdenum identified north of the drilled area in pyritic veins returned grades of 0.04% molybdenum and 0.04% tungsten.

CATALYST METALS LIMITED

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

Catalyst continued to review the Minnie Creek project tenement holdings to reduce expenditure commitments whilst retaining the most prospective areas for further work and / or potential joint venture.

During the March 2010 quarter a voluntary partial surrender of areas deemed unprospective, located within exploration licence 09/1303 was undertaken. A new exploration licence application (09/1776) was lodged with the Department of Mines and Petroleum in April 2010. The application consolidated the Company's land position by forming a near contiguous 70km long tenure over the Minnie Springs district by joining three existing tenements.

Everton Molybdenum Project (Victoria)

At the Everton Molybdenum Project located in Victoria, work plan approvals were received from the Victorian Department of Primary Industries for a diamond and percussion drilling program designed to test the economic potential of the historic Everton Molybdenum mine.

However, this work program was deferred when Catalyst entered into an agreement to acquire the remaining vendor interest in the exploration licence EL4866, to give Catalyst a 100% interest in the project. The deferral was required pending registration of the ownership interest of the tenement being transferred into Catalyst's wholly owned subsidiary.

The consideration payable for the acquisition of the remaining interest comprised a \$40,000 cash payment, the issue of 500,000 ordinary fully paid shares in the Company and Catalyst replacing the vendor's tenement works bond of \$10,000.

After an application was made to the Victorian Department of Primary Industries an extension of the term of EL4866 for a further five years was granted in June 2010.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- (a) In September 2009, the Company acquired the remaining vendor interest in the Everton project for a consideration comprising \$40,000 in cash, the issue of 500,000 shares in the Company and the replacement of the tenement works bond.
- (b) During the year the Company raised \$653,000 in equity funds through a private placement of 3,530,000 ordinary shares at a subscription price of 10 cents per share in July 2009 and a private placement of 3,000,000 ordinary shares at a subscription price of 10 cents per share in December 2009.

FUTURE DEVELOPMENTS

During the course of the next financial year, the Group will continue its mineral exploration activities and will investigate additional resources projects in which the Group may participate.

In the opinion of the Directors there is no additional information available as at the date of this Group and the expected results of those operations in subsequent years.

SUBSEQUENT EVENTS

On 2 July 2010 a General Meeting of shareholders approved the following resolutions:

- Ratified the placement made in December 2009 of 3 million ordinary shares at 10 cents each ;
- Authorised the issue of options under the Catalyst Metals Limited Employee Share Option Plan; and
- Approved the issue of 1,500,000 unlisted options to consultants of the Company.

On 12 July 2010, 500,000 unlisted options were issued under the Employee Share Option Plan.

CATALYST METALS LIMITED

DIRECTORS' REPORT

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: Chairman

Other Directorships: None

Interests in shares and options: Direct: Nil
Indirect: 3,819,628 Ordinary Shares (held by Trapine Pty Ltd, a company in which Mr Boston holds a relevant interest)

Robin Scrimgeour (Non-Executive Director)

Mr Scrimgeour spent 17 years working 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: Member of audit committee.

Other Directorships: None

Interests in shares and options: Direct: 1,870,561 Ordinary Shares
Indirect: Nil

Gary Schwab (Non-Executive Director)

Mr Schwab is a Certified Practising Accountant with over 40 years of business experience, including 20 years in the resources sector. Mr Schwab was previously Executive Director for a privately owned commodities group. In that role, Mr Schwab was responsible for managing a long term wealth creation strategy (in conjunction with the principal and owner) which culminated in the creation of what is currently one of Australia's wealthiest unlisted private commodities companies.

Special Responsibilities: Chairman of audit committee.

Other Directorships: None

Interests in shares and options: Direct: Nil
Indirect: Nil

Information on Company Secretary

Frank Campagna *B.Bus (Acc), CPA*

Company Secretary of Catalyst Metals Limited since November 2009. Mr Campagna is a Certified Practising Accountant with over 20 years experience as a Company Secretary, Financial Controller and Commercial Manager for listed resources and industrial companies. He currently operates a corporate consultancy practice which provides corporate secretarial services to both listed and unlisted companies.

CATALYST METALS LIMITED

DIRECTORS' REPORT

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
Stephen Boston (appointed on 1 September 2009)	6	6	-	-
Robin Scrimgeour (appointed on 1 September 2009)	6	5	1	1
Gary Schwab (appointed on 8 December 2009)	4	4	1	1
Mark Thompson (resigned on 25 September 2009)	3	3	-	-
Bryan Dixon (resigned on 1 September 2009)	2	2	-	-
Nathan McMahon (resigned on 1 September 2009)	2	2	-	-

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect to its mineral exploration activities. These obligations are regulated under relevant government authorities within Australia and overseas. The Group is a party to exploration and mining licences. Generally, these licences and agreements specify the environmental regulations applicable to exploration and mining operations in the respective jurisdictions. The Group aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates.

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the Group by any government agency during the year ended 30 June 2010.

The Company's operations are subject to State and Federal laws and regulation concerning the environment.

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 2,000,000 unissued ordinary shares under option. The terms of these options are as follows:

	Number
Options over ordinary fully paid shares exercisable:	
- at 20 cents each on or before 30 June 2014	1,000,000
- at 30 cents each on or before 30 June 2015	1,000,000
	<u>2,000,000</u>

No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the parent entity or any other corporation.

DIRECTORS' REPORT

REMUNERATION REPORT

This report sets out the current remuneration arrangements for directors and executives of the Group. For the purposes of this report, key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Group, including any director of the Company, and includes the executives in the consolidated entity receiving the highest remuneration. The information provided in this report includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*.

Principles used to determine the nature and amount of remuneration

Directors and executives remuneration

Overall remuneration policies are determined by the Board and are adapted to reflect competitive market and business conditions. Within this framework, the Board considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for any executive directors and senior management. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and expert advice.

The Company's remuneration policy for any executive directors and senior management is designed to promote superior performance and long term commitment to the Company. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Executive directors and senior executives receive a base remuneration which is market related, together with performance based remuneration linked to the achievement of pre-determined milestones and targets.

The Company's remuneration policies are designed to align executives' remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates; and
- individual reward should be linked to performance criteria.

The structure of remuneration packages for any executive directors and other senior executives comprises:

- a fixed sum base salary plus superannuation benefits;
- short term incentives through eligibility to participate in a performance bonus scheme if deemed appropriate; and
- long term incentives through any executive directors being eligible to participate in share option schemes with the prior approval of shareholders.

Fixed and variable remuneration is established for each executive director by the Board. The objective of short term incentives is to link achievement of the Company's operational targets with the remuneration received by executives charged with meeting those targets.

The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

Performance incentives may be offered to any executive directors and senior management through the operation of performance bonus schemes. A performance bonus, based on a percentage of annual salary, may be payable upon achievement of agreed operational milestones and targets.

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum fees payable to non-executive directors, with the current approved limit being \$200,000 per annum. The Board is responsible for determining actual payments to directors. Non-executive directors are entitled to statutory superannuation benefits.

CATALYST METALS LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (CONTINUED)

Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders.

All directors are entitled to have premiums on indemnity insurance paid by the Company

Details of Remuneration for Year Ended 30 June 2010

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

2010	Short-term employment benefits		Post-employment benefits	Share-based payments	
Name	Cash salary and fees	Other	Superannuation	Options	Total
<i>Non-executive directors</i>					
B Dixon	7,500	-	-	-	7,500
N McMahon	9,417	-	-	-	9,417
M Thompson	7,500	-	-	-	7,500
S Boston	15,000	-	1,350	-	16,350
R Scrimgeour	16,350	-	-	-	16,350
G Schwab	18,500	-	-	-	18,500
Total key management personnel compensation	74,267	-	1,350	-	75,617

2009	Short-term employment benefits		Post-employment benefits	Share-based payments	
Name	Cash salary and fees	Other	Superannuation	Options	Total
<i>Non-executive directors</i>					
B Dixon	30,000	-	-	-	30,000
N McMahon	37,500	-	-	-	37,500
M Thompson	30,000	54,535	-	-	84,535
Total key management personnel compensation	97,500	54,535	-	-	152,035

Letters of appointment have been entered into with each director of the Company. No duration of appointment or termination benefits are applicable. Non-executive directors receive remuneration of \$30,000 plus statutory superannuation.

The company secretary is deemed to be an executive by virtue of being an officer of the parent entity. The role performed by the company secretary does not meet the definition of key management person under AASB 124, hence this officer has been excluded from the key management personnel disclosures in the financial report.

The company secretary has an agreement on normal commercial terms for the provision of services at the rate of \$3,500 per month.

CATALYST METALS LIMITED

DIRECTORS' REPORT

SHARE-BASED COMPENSATION

Options over shares in the Company are granted under the Catalyst Metals Limited Employee Share Option Plan (Plan). The purpose of the Plan is to provide employees, directors, executive officers and consultants with an opportunity, in the form of options, to subscribe for ordinary shares in the Company. The Directors consider the Plan enables the Company to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to contribute to the growth and future success of the Company.

No options were issued during the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into indemnity agreements with each of the directors and officers of the Company. Under the agreements, the Company will indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as officers of the Company or any related entities.

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 any non-audit services 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 2010.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and immediately follows the Directors' Report.

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



Stephen Boston
Chairman

Perth, Western Australia
29 September 2010

RSM Bird Cameron Partners
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T +61 8 9261 9100 F +61 8 9261 9111
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Catalyst Metals Limited for the year ended 30 June 2010, 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

RSM BIRD CAMERON PARTNERS
Chartered Accountants

SC Cubitt

S C CUBITT
Partner

Perth, WA

Dated: *29 September 2010*

CATALYST METALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2010

	Note	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	1,773,365	1,415,701
Trade and other receivables	7	22,927	58,564
Other financial assets	8	120	1,368
Total Current Assets		<u>1,796,412</u>	<u>1,475,633</u>
Non-Current Assets			
Property, plant and equipment	9	12,585	8,516
Exploration and evaluation expenditure	10	<u>275,277</u>	<u>162,294</u>
Total Non-Current Assets		<u>287,862</u>	<u>170,810</u>
TOTAL ASSETS		<u>2,084,274</u>	<u>1,646,443</u>
Current Liabilities			
Trade and other payables	11	<u>60,580</u>	<u>68,323</u>
Total Current Liabilities		<u>60,580</u>	<u>68,323</u>
TOTAL LIABILITIES		<u>60,580</u>	<u>68,323</u>
NET ASSETS		<u>2,023,694</u>	<u>1,578,120</u>
Equity			
Contributed equity	12	4,025,455	3,356,710
Share-based payments reserve	13	82,609	82,609
Accumulated losses	13	<u>(2,084,370)</u>	<u>(1,861,199)</u>
TOTAL EQUITY		<u>2,023,694</u>	<u>1,578,120</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CATALYST METALS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue	2	71,545	120,339
Expenses			
Occupancy costs		(8,505)	(22,448)
Professional fees		(64,006)	(14,288)
Administration costs		(26,712)	(54,197)
Personnel		(75,617)	(90,000)
Corporate		(70,462)	(67,307)
Exploration costs written off		(49,414)	(1,384,933)
Other		-	(1,792)
Loss before income tax expense	3	(223,171)	(1,514,626)
Income tax expense	5	-	-
Loss for the year		(223,171)	(1,514,626)
Other comprehensive income		-	-
Total comprehensive loss for the year		(223,171)	(1,514,626)
Total comprehensive income attributable to members of the company		(223,171)	(1,514,626)
Basic loss per share (cents per share)	4	(0.8 cents)	(6.4 cents)
Diluted loss per share (cents per share)	4	(0.8 cents)	(6.4 cents)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CATALYST METALS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Year Ended 30 June 2010

	Issued Capital \$	Accumulated losses \$	Share-based payments reserve \$	Total \$
Balance at 30 June 2008	3,356,710	(346,573)	82,609	3,092,746
Total comprehensive 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
Total comprehensive loss for the year	-	(223,171)	-	(223,171)
Transactions with owners in their capacity as owners:				
Issue of shares	703,000	-	-	703,000
Share issue expenses	(34,255)			(34,255)
Balance at 30 June 2010	4,025,455	(2,084,370)	82,609	2,023,694

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CATALYST METALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Cash Flows from Operating Activities			
Payments for exploration and evaluation		(90,910)	(399,307)
Payments to suppliers, contractors and employees		(226,851)	(199,958)
Interest received		72,164	84,912
Proceeds from R&D tax offset		32,885	-
Net cash flows used in operating activities	14	<u>(212,712)</u>	<u>(514,353)</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(12,680)	(324)
Proceeds from sale of property, plant and equipment		2,011	-
Payments for exploration property		(40,000)	(97,741)
Proceeds from sale of financial assets		2,300	-
Net cash flows used in investing activities		<u>(48,369)</u>	<u>(98,065)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares and other equity securities		653,000	-
Share issue expenses		(34,255)	-
Net cash flows from financing activities		<u>618,745</u>	<u>-</u>
Net decrease in cash and cash equivalents		357,664	(612,418)
Cash and cash equivalents at the beginning of the financial year		<u>1,415,701</u>	<u>2,028,119</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>1,773,365</u></u>	<u><u>1,415,701</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

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 by the Directors on the date of signing of the Directors' Report.

(b) Basis of preparation

The financial report covers Catalyst Metals Limited, which is a listed public company, incorporated and domiciled in Australia and its subsidiary Silkfield Holding Pty Ltd.

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) Consolidation

A controlled entity is any entity Catalyst Metals Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiary have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/ excluded from the date control was obtained or until the date control ceased.

(d) Revenue

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

(e) 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.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

(g) Trade and other receivables

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

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

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.

(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.

(i) 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.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Exploration and Evaluation Expenditure (continued)

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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income tax (continued)

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.

(n) 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.

(o) 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.

(p) 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.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

(s) Adoption of New and Revised Accounting Standards

The consolidated entity has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current financial year. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from those previously made available.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Adoption of New and Revised Accounting Standards (continued)

(i) Presentation of Financial Statements

The consolidated entity has applied the revised AASB 101 Presentation of Financial Statements (2007) from 1 January 2009. The revision of this standard now requires the consolidated entity to present all non-owner changes to equity (comprehensive income) in the statement of comprehensive income. The consolidated entity has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity.

The presentation requirements have been applied for the entire reporting period and comparative information has been represented to also comply with the revised AASB 101.

(ii) Segment Reporting

The consolidated entity has applied AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity, the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the company reports its segment information to the Board on a monthly basis. The change in policy has not resulted in a change to the disclosure presented.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

	2010 \$	2009 \$
2. Revenue		
Interest received	70,493	87,454
Other revenue	1,052	32,885
	<u>71,545</u>	<u>120,339</u>
3. Expenses		
<i>Loss before income tax includes the following specific expenses:</i>		
Directors fees	75,617	97,500
Exploration written off (refer note 1(i))	49,414	1,384,933
Depreciation	6,601	7,741
Project costs	-	97,740
(Gain)/loss on fair value of other financial assets	-	1,792
	<u>-</u>	<u>1,792</u>
4. Earnings per Share	2010	2009
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>28,678,822</u>	<u>23,558,137</u>

- (i) In 2009 diluted earnings per share were calculated after classifying all options on issue remaining unconverted at 30 June 2009 as potential ordinary shares. As at 30 June 2009, the Company had 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. As at 30 June 2010, there were no options over unissued capital outstanding.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

5. Income tax	2010 \$	2009 \$
Loss before tax	(223,171)	(1,514,626)
Prima facie tax on operating loss before income tax at 30%	(66,951)	(454,387)
Tax effect of:		
- non deductible items	(15,582)	(9,516)
- deductible capital raising expenditure	-	-
Deferred tax asset not brought to account at balance date as realisation of the benefit is not probable	82,353	463,903
Income tax attributable to operating loss	-	-
Unrecognised deferred tax balances		
The directors estimate that the potential deferred tax benefits not brought to account at balance date is approximately:		
Tax losses	2,416,457	2,038,738
Temporary differences	(194,478)	(34,083)
	2,221,979	2,015,741
Net unrecognised deferred tax asset at 30%	666,594	604,722

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.

	2010 \$	2009 \$
6. Cash and cash equivalents		
Cash at bank	1,773,365	1,415,701
7. Trade and other receivables		
Sundry debtors	22,927	58,564

Fair value and credit risk

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

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

	2010 \$	2009 \$
8. Financial assets at fair value through profit or loss		
<i>Current</i>		
Securities in listed corporations - at fair value	120	1,368

Listed shares at fair value

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

9. Property, plant and equipment

	Computer equipment \$	Furniture, fittings and equipment \$	Total \$
Year ended 30 June 2010			
Opening net book amount 1 July 2009	2,636	5,880	8,516
Additions	12,680	-	12,680
Disposals	-	(2,011)	(2,011)
Depreciation charge	(2,913)	(3,687)	(6,600)
Closing net book amount 30 June 2010	12,403	182	12,585
At 30 June 2010			
Cost or fair value	20,092	11,572	31,664
Accumulated depreciation	(7,689)	(11,390)	(19,079)
Net book amount	12,403	182	12,585

	2010 \$	2009 \$
10. Exploration and evaluation expenditure		
Opening balance	162,294	1,086,761
Additions	162,397	460,466
Exploration written off (refer note 1(i))	(49,414)	(1,384,933)
Closing balance	275,277	162,294

11. Trade and other payables

Current Payables

Trade creditors	46,855	28,323
Accruals	13,725	40,000
	60,580	68,323

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.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

		2010 Number	2010 \$	2009 Number	2009 \$
12.	Contributed Equity				
	<i>(a) Share capital</i>				
	<i>Ordinary shares</i>				
	Fully paid	(c) 30,588,226	4,025,455	23,558,137	3,348,710
	<i>Incentive shares</i>	(d)			
	Class A	-	-	4,000,000	4,000
	Class B	-	-	4,000,000	4,000
		<u>30,588,226</u>	<u>4,025,455</u>	<u>31,558,137</u>	<u>3,356,710</u>
	<i>(b) Other equity securities</i>				
	Options – Listed	(e) -	-	-	-
	Options – Unlisted	(f) -	-	1,050,000	-
	Total contributed equity		<u>4,025,455</u>		<u>3,356,710</u>

(c) Movements in Ordinary Shares

Details	Number of Shares	Issue Price	\$
Balance at 30 June 2008	23,558,137		3,249,407
Transfer from option reserve	-		99,303
Balance at 30 June 2009	<u>23,558,137</u>		<u>3,348,710</u>
Issue of shares	6,530,000	\$0.10	653,000
Issue of shares – Everton acquisition	500,000	\$0.10	50,000
Issue of shares – Incentive shares converted	89	-	8,000
Share issue expenses	-		(34,255)
Balance at 30 June 2010	<u>30,558,226</u>		<u>4,025,455</u>

(d) Movements in Incentive Shares

Details	Number of Shares	Issue Price	\$
Balance at 30 June 2008	8,000,000		8,000
Lapsed shares	-	-	-
Balance at 30 June 2009	8,000,000		8,000
Converted into ordinary shares	<u>(8,000,000)</u>		<u>(8,000)</u>
Balance at 30 June 2010	<u>-</u>		<u>-</u>

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

12. Contributed Equity (continued)

(e) *Movements in other equity securities*

Details	Number of Options	Issue Price	\$
Listed Options			
Balance at 30 June 2008	11,152,500		99,303
Lapsed options	(11,152,500)	-	(99,303)
Balance at 30 June 2009	-		-
Lapsed options	-		-
Balance at 30 June 2010	-		-

(f) *Movements in other equity securities*

Details	Number of Options	Issue Price	\$
Unlisted Options			
Balance at 30 June 2008	1,050,000		-
Lapsed options	-	-	-
Balance at 30 June 2009	1,050,000		-
Lapsed options	(1,050,000)		-
Balance at 30 June 2010	-		-

(g) *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.

(h) *Incentive Shares*

Class A Incentive Shares

- The Class A Incentive shares were a separate class of shares that were convertible into ordinary shares. They did 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 could 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 did not occur, within 3 years from the date the Company's ordinary shares were 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). As none of the conversion conditions was satisfied on 27 July 2009 these Class A Incentive Shares converted to 44.5 ordinary fully paid shares.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

12. Contributed Equity (continued)

(h) Incentive Shares (continued)

Class B Incentive Shares

- The Class B Incentive shares were a separate class of shares that were convertible into ordinary shares. They did 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 could 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 did not occur, within 3 years from the date the Company's ordinary shares were 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. As none of the conversion conditions was satisfied on 27 July 2009 these Class B Incentive Shares converted to 44.5 ordinary fully paid shares.

(i) Options

Unlisted Executive Options

These options that entitled the holders to subscribe for fully paid ordinary shares in the Company expired on 16 July 2009.

(j) 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 2010 and no dividends are expected to be paid in 2011.

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.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

12. Contributed Equity (continued)

(k) Details of subsidiaries

Details of the Company's subsidiaries at 30 June 2010 are:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held
Silkfield Holdings Pty Ltd	Mineral Exploration	Australia	100%

Silkfield Holdings Pty Ltd was incorporated on 31 August 2009.

13. Reserves & Accumulated Losses

(a) Reserves

	2010 \$	2009 \$
<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) Accumulated losses

Balance at the beginning of the year	(1,861,199)	(346,573)
Loss for the year	<u>(223,171)</u>	<u>(1,514,626)</u>
Balance at the end of the year	<u>(2,084,370)</u>	<u>(1,861,199)</u>

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

14. Notes to the Cash Flow Statement

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

	2010 \$	2009 \$
Operating loss after tax	(223,171)	(1,514,626)
<i>Add non cash items:</i>		
Depreciation	6,601	7,741
(Gain)/loss on fair value of other financial assets	(1,052)	1,792
Exploration written off	(49,414)	1,384,933
<i>Changes in net assets and liabilities</i>		
Increase/(decrease) in receivables	125,636	(34,170)
Increase/(decrease) in payables	(7,742)	31,597
(Increase) in exploration	(63,570)	(391,620)
Net cash outflow from operating activities	<u>(212,712)</u>	<u>(514,353)</u>

(b) Non-cash financing and investing activities

The Company did not have any non-cash financing or investing activities during the year (2009: Nil), other than the acquisition of 100% of the Everton Molybdenum project by the payment of \$50,000 in ordinary fully paid shares.

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

S Boston	Non-Executive Chairman (appointed 1 September 2009)
R Scrimgeour	Non-Executive Director (appointed 1 September 2009)
G Schwab	Non-Executive Director (appointed 8 December 2009)
N McMahon	Non-Executive Chairman (resigned 1 September 2009)
M Thompson	Non-Executive Director (resigned 25 September 2009)
B Dixon	Non-Executive Director (resigned 1 September 2009)

All of the above persons were also key management persons during the year ended 30 June 2010.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

15. Key Management Personnel Compensation (continued)

(b) Key management personnel remunerations

	2010	2009
Short-term employee benefits	105,669	169,565
Post-employment benefits	1,350	-
Share based payments	-	-
	107,019	169,565

Detailed remuneration disclosures have been transferred to the Remuneration Report section of the Director's Report.

(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 section 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:

2010

Directors	<i>Balance at beginning of year</i>	<i>Granted as compensation</i>	<i>Exercised</i>	<i>Other changes (i)</i>	<i>Balance at end of year</i>	<i>Vested and exercisable</i>
S Boston	-	-	-	-	-	-
R Scrimgeour	-	-	-	-	-	-
G Schwab	-	-	-	-	-	-
M Thompson (i)	1,050,000	-	-	(1,050,000)	-	-
B Dixon	-	-	-	-	-	-
N McMahan	-	-	-	-	-	-

(i) 1,050,000 unlisted options expired on 16 July 2009.

2009

Directors	<i>Balance at beginning of year</i>	<i>Granted as compensation</i>	<i>Exercised</i>	<i>Other changes (i)</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
B Dixon	-	-	-	-	-	-
N McMahan	-	-	-	-	-	-

(i) 545,000 listed options expired on 31 December 2008.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

15. Key Management Personnel Compensation (continued)

(c) Equity instrument disclosures relating to key management personnel (continued)

(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.

2010

Directors	Balance at beginning of year	Purchased	Other changes (i)	Balance at end of year
S Boston	-	431,534	3,388,094	3,819,628
R Scrimgeour	-	770,561	1,100,000	1,870,561
G Schwab	-	-	-	-
M Thompson	1,265,250	-	(1,265,250)	-
B Dixon	-	-	-	-
N McMahon	900,000	-	(900,000)	-

(i) This represents the shares held by Messrs Thompson and McMahon when they resigned as directors of the Company and the shares held by Messrs Boston and Scrimgeour when they were appointed as directors of the Company.

2009

Directors	Balance at beginning of year	Purchased	Other changes	Balance at end of year
M Thompson	1,265,250	-	-	1,265,250
Bryan Dixon	-	-	-	-
Nathan McMahon	900,000	-	-	900,000

(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:

2010

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
S Boston	-	-	-	-	-	-
R Scrimgeour	-	-	-	-	-	-
G Schwab	-	-	-	-	-	-
M Thompson (i)	1,000,000	(1,000,000)	-	1,000,000	(1,000,000)	-
B Dixon	-	-	-	-	-	-
N McMahon	-	-	-	-	-	-

(i) On 27 July 2009, the incentive shares lapsed and converted to 89 ordinary fully paid shares.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

15. Key Management Personnel Compensation (continued)

(d) Equity instrument disclosures relating to key management personnel (continued)

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	-	-	-	-	-	-

(e) 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. In the previous financial year, Catalyst Metals Limited had 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:

	2010	2009
	\$	\$
<i>Purchases</i>		
Rent of office building	6,930	26,400
Administrative and office overheads	3,657	10,543
Exploration services and vehicle hire	-	59,988

16. Related Party Disclosures

Key Management Personnel

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

The Company has a joint venture agreement on the Minnie Creek project with Red Dog Prospecting Pty Ltd, a company in which a former director, Mark Thompson has a financial interest, The Company is manager of the joint venture and whilst it is solely funding exploration costs up to completion of a feasibility study, it has conduct of the joint venture operations as it sees fit.

Mr Thompson's directors' fees of \$7,500 were paid to Red Dog Prospecting Pty Ltd, a company in which Mr Thompson has a relevant interest. In 2009, Mr Thompson's directors' fees of \$30,000 were paid to Lateral Minerals Pty Ltd, a company in which Mr Thompson has a relevant interest and \$54,535 was paid to Red Dog Prospecting Pty Ltd for the provision of mineral exploration services.

Mr Dixon's directors' fees of \$7,500 (2009: \$30,000) were paid to Warrior Strategic Pty Ltd, a company in which Mr Dixon has a relevant interest.

Mr McMahon's directors' fees of \$9,417 (2009: \$37,500) were paid to Kingsreef Pty Ltd, a company in which Mr McMahon has a relevant interest.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

16. Related Party Disclosures (continued)

Mr Scrimgeour's directors' fees of \$16,350 (2009: Nil) were paid to Culloden Capital Pte Ltd, a company in which Mr Scrimgeour has a relevant interest. \$2,725 of Mr Scrimgeour's directors' fee was accrued at year end.

17. Equity-based payments

The Company has adopted 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.

No options were granted during the year.

	2010	2009
	\$	\$
18. Auditors' Remuneration		
Amounts received or due and receivable by the auditors for:		
Auditing accounts	17,500	15,750
Other services	-	-
	<u>17,500</u>	<u>15,750</u>

19. Commitments

There were no outstanding commitments, which are not disclosed in the financial statements as at 30 June 2010 other than:

	2010	2009
	\$	\$
(a) Tenement commitments		
No later than 1 year	216,200	295,000
Later than 1 year but not later than 5 years	-	-
	<u>216,200</u>	<u>295,000</u>

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

20. Financial Instruments

	Notes	Floating Interest Rate \$	1 year or less \$	Over 1-5 years \$	Non interest bearing \$	Total \$
2010						
Financial assets						
Cash and cash equivalents	6	4.15%	1,773,365	-	-	1,773,365
Trade and other receivables	7	-	-	-	22,927	22,927
Other financial assets	8	-	-	-	120	120
Total financial assets			1,773,365	-	23,047	1,796,412
Financial liabilities						
Trade and other payables	11		-	-	60,580	60,580
Total financial liabilities			-	-	60,580	60,580
Net financial assets/(liabilities)			1,773,365	-	(37,533)	1,735,832
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			1,409,319	-	66,314	1,475,633
Financial liabilities						
Trade and other payables	11		-	-	68,323	68,323
Total financial liabilities			-	-	68,323	68,323
Net financial assets/(liabilities)			1,409,319	-	(2,009)	1,407,310

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

20. Financial Instruments (continued)

	2010	2009
	\$	\$
Reconciliation of net financial assets to net assets		
Net Financial Assets	1,735,832	1,407,310
Property, plant & equipment	12,585	8,516
Exploration expenditure	275,277	162,294
Net Assets	<u>2,023,694</u>	<u>1,578,120</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.

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 2010, 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 \$17,734 (2009: \$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 is spread amongst approved counterparties.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

20. Financial Instruments (continued)

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.

22. Subsequent Events

On 2 July 2010 a General Meeting of shareholders approved the following resolutions:

- Ratified the placement made in December 2009 of 3 million ordinary shares at 10 cents each;
- Authorised the issue of options under the Catalyst Metals Ltd Employee Share Option Plan; and
- Approved the issue of 1,500,000 unlisted options to consultants of the Company.

On 12 July 2010, 500,000 unlisted options were issued under the Employee Share Option Plan.

23. Contingent Liabilities and Contingent Assets

The Company does not have any contingent liabilities or contingent assets at 30 June 2010.

CATALYST METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2010

24. Parent Entity Disclosure

	2010 \$	2009 \$
Total current assets	<u>2,071,923</u>	<u>1,475,633</u>
Total assets	<u>2,084,508</u>	<u>1,646,443</u>
Total current liabilities	<u>60,580</u>	<u>68,323</u>
Total liabilities	<u>60,580</u>	<u>68,323</u>
Equity		
Contributed equity	4,025,455	3,356,710
Reserves	82,609	82,609
Accumulated losses	<u>(2,084,136)</u>	<u>(1,861,199)</u>
Total equity	<u>2,023,928</u>	<u>1,578,120</u>
Loss for the year	<u>(222,937)</u>	<u>(1,514,626)</u>
Total comprehensive income	<u>(222,937)</u>	<u>(1,514,626)</u>

CATALYST METALS LIMITED

DIRECTORS' DECLARATION

The Directors of the company declare that in the opinion of the Directors:

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 consolidated entity's financial position as at 30 June 2010 and of its performance for the year then ended;
2. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1;
3. the directors have given the declarations required by s295A of the Corporations Act 2001; and
4. 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 circular resolution of the Board of Directors.



Stephen Boston
Chairman

Dated at Perth this 29th day of September 2010

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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, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated 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.

Auditor's Independence Declaration

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 consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report which is included within the directors' report for the financial year ended 30 June 2010. 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 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

SC Cubitt
S C CUBITT
Partner

Perth, WA

Dated: *29 September 2010*

CATALYST METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year. Copies of relevant corporate governance policies and charters are available in the corporate governance section of the Company's web-site at www.catalystmetals.com.au.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. Catalyst is a junior exploration company which currently operates with no permanent staff and no executive directors.

BOARD OF DIRECTORS

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management.

The Company has established functions reserved for the Board and those to be delegated to senior management, as set out in the Company's Board charter. The charter states that the Board is responsible for:

- the overall strategic direction and leadership of the Company;
- approving and monitoring management implementation of objectives and strategies;
- approving the annual strategic plan and monitoring the progress of both financial and non-financial performance;
- the corporate governance of the Company, and
- the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

Due to the level and nature of the Company's current activities, there is presently no designated Managing Director position within the Company. A Managing Director will be appointed for the Company when the level of activities and circumstances warrant. Upon the appointment of a Managing Director, day to day management of the Company's affairs and the implementation of corporate strategies will be formally delegated by the Board to the Managing Director.

Board composition and independence

The Board charter states that the Board is to comprise an appropriate mix of both executive and non-executive directors and where possible, the roles of Chairman and Managing Director are not be combined.

The Company has a three member Board comprising three non-executive directors, including the Chairman. Mr Boston and Mr Scrimgeour are not considered independent by virtue of their respective major shareholdings in the Company. Mr Schwab is considered an independent director based on the principles set out below.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives, with a number of directors being independent and where appropriate, major shareholders being represented on the Board. Under present circumstances, there is not a majority of directors classified as being independent, according to ASX guidelines. Where any director has a material personal interest in a matter, the director must declare his interest and is not permitted to be present during discussions or to vote on the matter.

The current composition of the Board is considered suitable for the Company's current size and level of operations and includes an appropriate mix of skills, expertise and experience relevant to the Company's business. Details of the experience, qualifications and term of office of directors are set out in the Directors' Report.

CATALYST METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

Having regard to the share ownership structure of the Company, it is considered appropriate by Board that a major shareholder may be represented on the Board and if nominated, hold the position of Chairman. Such appointment would not be deemed to be independent under ASX guidelines. The Chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the Chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, which identifies shareholdings, executive roles and contractual relationships which may affect independent status. Financial materiality thresholds used in the assessment of independence are set at 10% of the annual gross expenditure of the Company and/or 25% of the annual income or business turnover of the director.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the Chairman, which shall not be unreasonably withheld.

Performance assessment

The Board has adopted a policy for an annual self assessment of its collective performance, the performance of individual directors and of Board committees. The Chairman meets with each non-executive director separately to discuss individual performance and the Board as a whole discusses and analyses its performance over the previous 12 months and examines ways in which the Board can better perform its duties. Due to changes in the composition of the Board during the year, no formal assessment was undertaken during the year ended 30 June 2010. However, the chairman assesses the performance of the Board and individual directors.

The performance of senior executives will be reviewed annually by the Board through a formal performance appraisal and interview. Currently, the Board is collectively responsible for the evaluation of any senior executives. Executive remuneration and other terms of employment will be reviewed annually by the Board having regard to performance, relevant comparative information and where appropriate, expert advice. The Company does not presently have any senior executive positions and accordingly, no formal evaluation of senior executive performance was undertaken during the year.

BOARD COMMITTEES

The Board has established a separate audit committee. Matters determined by the committee are submitted to the full Board as recommendations for Board consideration.

Membership of the audit committee comprises two non-executive directors, Mr Schwab (chairman) and Mr Scrimgeour. A vacancy exists on the audit committee until such time as the appointment of an additional non-executive director to the Board. Details of the qualifications of committee members and attendance at audit committee meetings are set out in the Directors' Report.

The audit committee operates in accordance with a written charter. The audit committee oversees accounting and reporting practices and is also responsible for:

- reviewing and approving statutory financial reports and all other financial information distributed externally;
- co-ordination and appraisal of the quality of the audits conducted by the Company's external auditor;
- determination of the independence and effectiveness of the external auditor;
- assessment of whether non-audit services have the potential to impair the independence of the external auditor;
- reviewing the adequacy of the reporting and accounting controls of the Company.

CATALYST METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

The current size of the Board and the stage of development of the Company do not warrant the establishment of separate remuneration or nomination committees. The directors as a whole are responsible for the functions normally undertaken by these committees. In circumstances where the growth or complexity of the Company changes, the establishment of separate committees will be reconsidered.

The Board reviews all remuneration policies and practices for the Company, including overall strategies in relation to executive remuneration policies and compensation arrangements for any executive directors and senior management, as well as all equity based remuneration plans. The structure for the remuneration of non-executive directors and senior executives is separate and distinct. Details of the Company's remuneration policies are set out in the Remuneration Report section of the Directors' Report.

The current size of the full Board permits it to act as the nomination committee and to regularly review membership. When a Board vacancy occurs, the Board identifies the particular skills, experience and expertise that will best complement Board effectiveness and then undertakes a process to identify candidates who can meet those criteria.

Board nomination procedures

The current size of the full Board permits it to act as the nomination committee and to regularly review membership. When a Board vacancy occurs, the Board identifies the particular skills, experience and expertise that will best complement Board effectiveness and then undertakes a process to identify candidates who can meet those criteria.

EXTERNAL AUDITORS

The performance of the external auditors is reviewed annually. RSM Bird Cameron was appointed as external auditors in May 2006. The current audit engagement partner has conducted the audit since December 2006 with rotation due no later than five years from that date.

The external auditors provide an annual declaration of their independence to the Board. The auditors are requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Corporate reporting

The chief executive officer (or equivalent) and chief financial officer provide a declaration to the Board that the Company's external financial reports present a true and fair view of the Company's financial condition and operational results and that the declaration in relation to the integrity of the Company's external financial reports is founded on sound risk management and internal control systems and that those systems are operating effectively in relation to financial reporting risks.

RISK MANAGEMENT

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management will be delegated in the future to the appropriate level of management within the Company with the Managing Director (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

The Company's risk management systems are evolving and it is recognised that the extent of the systems will develop with the growth in the Company's activities. Internal controls are designed to manage 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.

As the Board currently has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively.

CATALYST METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

CODE OF CONDUCT

A formal code of conduct has been established and applies to all directors and employees, to guide compliance with the legitimate interests of all stakeholders. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company's share trading policy prohibits the purchase or disposal of securities by directors, senior executives and other designated persons in the period of one week prior to the release of quarterly reports and the Company's annual and half-year financial results. Any proposed transactions to be undertaken must be notified to the Chairman in advance. Directors are also required to immediately advise the Company of any transactions conducted by them in the securities of the Company.

Where the Company grants securities under an equity based remuneration scheme, participants will be prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the scheme.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The Chairman and Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

All shareholders are entitled to receive a copy of the Company's annual report. In addition, the Company makes all market announcements, media briefings, details of shareholders' meetings, press releases and financial reports available on the Company's web-site.

CATALYST METALS LIMITED

ADDITIONAL INFORMATION

The following information was reflected in the records of the Company as at 29 September 2010.

Distribution of share and option holders

	Number of holders	
	Fully paid shares	Unlisted options
1 - 1,000	23	-
1,001 - 5,000	45	-
5,001 - 10,000	62	-
10,001 - 100,000	156	-
100,001 and over	45	3
	<u>331</u>	<u>3</u>
Including holdings of less than a marketable parcel	49	

Substantial shareholders

The following shareholders have lodged a notice of substantial shareholding in the Company.

Shareholder	Number of shares	%
Trapine Pty Ltd	3,819,628	12.49
Robin Scrimgeour	1,870,561	6.12

Twenty largest holders of fully paid shares

Shareholder	Shares	%
1. Trapine Pty Ltd	3,819,628	12.49
2. Robin Scrimgeour	1,870,561	6.12
3. Chepalix Pty Ltd	1,500,000	4.90
4. Gavin Caudle	1,500,000	4.90
5. Toby Mountjoy	1,437,512	4.70
6. Kenneth Raymond Teagle	1,175,000	3.84
7. Mining Tenement Management Pty Ltd	1,100,000	3.60
8. Lateral Minerals Pty Ltd	1,000,020	3.27
9. Howard Dawson	960,012	3.14
10. Kingsreef Pty Ltd	900,000	2.94
11. Drill Investments Pty Ltd	700,000	2.29
12. Jodie Nicole Marwick	635,016	2.08
13. Richard Hanbury and Cheryl Hanbury	600,000	1.96
14. Silverpeak Nominees Pty Ltd	500,000	1.63
15. Vestcourt Pty Ltd	500,000	1.63
16. Jonenderbee Investments Pty Ltd	350,000	1.14
17. Bruce Myles	343,387	1.13
18. Allen Lafferty	337,815	1.10
19. Winthrop Cafe Pty Ltd	272,000	0.89
20. Mark James Thompson	265,250	0.87
	<u>19,766,201</u>	<u>64.62</u>

CATALYST METALS LIMITED

ADDITIONAL INFORMATION

Classes of shares and voting rights

At meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll, every person present in person or by proxy has one vote for each ordinary share held.

Unquoted securities

The following classes of unquoted securities are on issue:

Security	Number on issue	Holders of greater than 20% of each class of security		
		Name of holder	Number	%
Options over fully paid shares exercisable:				
- at 20 cents each on or before 30.06.14	1,000,000	John Arbuckle	375,000	37.5
		Frank Campagna	375,000	37.5
- at 30 cents each on or before 30.06.15	1,000,000	John Arbuckle	375,000	37.5
		Frank Campagna	375,000	37.5

Tenement directory

Project	Tenement number	Beneficial interest
Western Australia		
Eudamullah	E09/1174	90%
Michelles Well	E09/1291	90%
Bluebush Well	E09/1303	90%
Wanna	E09/1776 (application)	90%
Victoria		
Everton	EL4866	100%

Competent persons statement

The information in this report that relates to exploration results is based on and accurately reflects, information compiled by Mr Dean de Largie B.Sc. Geol, who is a Fellow of the Australian Institute of Geoscientists. Mr de Largie is a geological consultant to the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr de Largie consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.