Fortuna Minerals Limited

ABN 95 112 425 788

Annual Financial Report

30 June 2009

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CORPORATE INFORMATION

ABN 43 122 911 399

Directors

Mr Garry Ralston
Mr Mathew Walker
Mr Russell Lynton-Brown

Company secretary

Mr James Robinson

Registered office

Suite 9, 1200 Hay Street
WEST PERTH WA 6005

Telephone: (08) 6460 4960
Fax: (08) 9324 3045

Principal place of business

Suite 9, 1200 Hay Street
WEST PERTH WA 6005

Share register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Solicitors

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Bankers

National Australia Bank
Level 1, 1238 Hay Street
WEST PERTH WA 6005

Auditors

HLB Mann Judd
Level 2, 15 Rheola Street
WEST PERTH WA 6005

Website

www.fortunaminerals.com.au

DIRECTORS' REPORT

Your directors submit the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Garry Ralston	(appointed 29 November 2007)
Mr Mathew Walker	(appointed 29 November 2007)
Mr Russell Lynton-Brown	(appointed 21 November 2008)
Mr Michael Shields	(appointed 5 December 2007, resigned 21 November 2008)

Names, qualifications, experience and special responsibilities

Mr Garry Ralston
Non-Executive Director
Age: 54
Qualifications: Licensed Finance Broker (CFB)

Mr Garry Ralston serves as Non-Executive Chairman of the Company and is based in Perth, Western Australia. Mr Ralston has been directly involved in the banking and finance industry for over 35 years. Mr Ralston was a co-founder and until recently a director of Finance and Systems Technology (FAST) which is one of Australia's premier mortgage aggregators. Mr Ralston is also a director and co-founder of Select Mortgage Services.

Mr Ralston was the founding chairman of Prudential West Pty Ltd which subsequently changed its name to Enviromission Ltd and is an ASX listed company.

During the last three years Mr Ralston has served as a director of the following listed companies:

- Augustus Minerals Limited (appointed 10 May 2007)
- Tomahawk Energy Limited (resigned 23 May 2007)

Mr Ralston is a member of the non-executive directors committee, which deals with responsibilities usually set aside for Remuneration, Risk, Audit and Nomination committees.

Mr Mathew Walker
Executive Chairman
Age: 39
Qualifications: Bachelor of Business from the University of Technology, Sydney

Mr Walker has extensive experience in public company management and in the provision of corporate advice. Specialising in the mining sector, he has served as executive Chairman or Managing Director for public companies with mining interests in North America, South America, Africa, Australia, and Central Asia. Currently he serves as Managing Director of Windy Knob Resources Limited, Augustus Minerals Limited, as Director of Imperium Minerals Limited and Chairman of Pacific Ore Limited. He is also a Director of boutique investment bank Alto Capital and corporate services firm Cicero Corporate Services Pty Ltd. Mr Walker is a member of the Australian Institute of Company Directors and holds a Bachelor of Business from the University of Technology, Sydney.

During the last three years, Mr Walker has served as a director of the following listed companies:

- Erongo Energy Limited (resigned 9 July 2007)
- Pacific Ore Limited (appointed 23 January 2009)
- Windy Knob Resources Limited (appointed 13 October 2006)
- Augustus Minerals Limited (appointed 29 November 2006)

DIRECTORS' REPORT (continued)

Mr Russell Lynton-Brown

Non-Executive Director
Age: 43
Qualifications: Nil

Mr Russell Lynton-Brown has 15 years experience in stock broking, both retail and corporate finance, and has specialised in the resources sector. Mr Lynton-Brown has worked with international and local stock broking companies. Mr Lynton-Brown is the Executive Director of ASX listed Pacific Ore Limited.

During the last three years, Russell Lynton-Brown has served as a director of the following listed companies:

- Pacific Ore Ltd (appointed 9 February 2007)
- Windy Knob Resources Limited (appointed 13 October 2006)

Mr Lynton-Brown is a member of the non-executive directors committee, which deals with responsibilities usually set aside for Remuneration, Risk, Audit and Nomination committees.

Mr Michael Shields
Non-Executive Director (resigned 21 November 2008)
Age: 36
Qualifications: B.Com from The University of Western Australia

Mr Michael Shields is a leading Western Australian farmer with significant interests in a number of large scale agricultural enterprises. Mr Shields completed a Bachelor of Commerce Degree at the University of Western Australia and then went on to work in the USA and Australia in the agricultural services divisions of a number of organisations including John Deere, Caterpillar and Westrac. Previously, Mr Shields was a director of Summitt Fertilizers Pty Ltd.

During the past three years, Mr Shields has served as a director on the following listed companies:

- Carbon Conscious Limited (Appointed January 2008)

Company Secretary

Mr James Robinson
Company Secretary
Age: 31
Qualifications: Bachelor of Economics from The University of Western Australia

Mr James Robinson joined the Company following 10 years with one of Western Australia's leading stockbroking firms. He holds a Bachelor of Economics from the University of Western Australia and is currently completing a Graduate Diploma of Applied Corporate Governance from Chartered Secretaries Australia.

Mr Robinson was appointed Company Secretary in December 2008.

He also currently serves as Company Secretary of Windy Knob Resources Limited and Augustus Minerals Limited.

Interests in the shares and options of the Company

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Mr Garry Ralston	2,000,000*	872,305[1]
Mr Mathew Walker	5,000,000*	2,000,000
Mr Russell Lynton-Brown	1,000**	102,000[2]

**Options were issued in 2008 and are exercisable at 20 cents on or before 30 November 2010*

** *Options were issued in 2007 and are exercisable at $1.00 on or before 18 September 2010*

[1] 268,305 shares are held in the name of Dawnfield Investments Pty Ltd and 2,000 in the name of Mrs Toni Michelle Ralston.
[2] 100,000 shares are held in the name of Husif Nominees Pty Ltd.

DIRECTORS' REPORT (continued)

No ordinary shares were issued by the company during or since the end of the financial year as a result of the exercise of an option.

There are no unpaid amounts on the shares issued.

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	*Exercise price*	*Number of shares*
18 September 2010	$1.00	1,001,000
26 April 2010	$1.00	417,500
7 June 2010	$1.00	110,000
4 Dec 2010	$1.00	200,000
21 August 2011	$1.00	150,000
21 August 2011	$2.00	50,000
28 May 2012	$1.00	350,000
31 Dec 2012	$0.20	9,000,000
		11,278,500

Dividends

No dividends have been paid or declared since the start of the financial year and/or the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the Company during the year was the exploration for natural resources.

Review of operations

SELUMA IRON SANDS PROJECT (Fortuna option to Acquire 100%)

The Company entered into an agreement pursuant to which it has the exclusive option (the "Option") to acquire a 100% interest in the Seluma Iron Sands Project located on the island of Sumatra in Indonesia as detailed in the ASX announcement of 14 January 2009. The Company paid US$10,000 for the Option and its exercise any time prior to 12 January 2011 is conditional upon, but not limited to, respective shareholder and regulatory approvals, due diligence and the Company holding unencumbered legal and beneficial title.

The Project is located approximately 75km south of Bengkulu adjacent to the village of Pasar Talo on the south west coast of the Indonesian island of Sumatra. The Project comprises one KP located on the coastal plain proximal to a series of inactive volcanic centres which lie along the Great Sumatran Fault. Erosion of andesite from these volcanic centres is believed to be the source of the heavy minerals within deltaic and sand dune areas along the south west coast of the island. Together with the heavy minerals, the sedimentary sequences along the coastal plains comprise of silt, sand and gravel beds.

The Wilayah KP overlies approximately 6.5km of beach frontage and extends from the hinterland out into the ocean, including the village of Pasar Talo. The area behind the beach is lightly wooded with forest re-growth, minor palm oil cultivation and subsistence farming operated by the local villagers. There is no known commercial scale cropping or land clearing.

Concentrations of heavy minerals sands (HMS) occur as bands within the sand beds. Sample pits within the Project area and other locations along the coast indicate that the HMS units can be over 2m thick. Heavy minerals include up to 30% magnetite, up to 5% zircon, monazite, and other coloured detrital minerals, up to 10% illmenite, and up to 5% hematite.

DIRECTORS' REPORT (continued)

SELUMA IRON SANDS PROJECT (continued)

Analysis of samples collected from two programs completed in 2008 demonstrated that the sedimentary profile contains potentially economic Iron Sands, with iron content ranging from 4.8 to 22.5% (6.9 – 32.1% Fe2O3), and justify further evaluation of the project. These reconnaissance results compare favourably to the reported 10.8% Fe resource grade of Indo Mines Limited (ASX Code IDO) Jogjakarta Iron Sands – Pig Iron Project located on the south coast of Central Java. In addition, reported results from reconnaissance sampling in 2007 highlight scope for higher grade Iron Sand concentrations within strand lines sub parallel to the present coast line, which do not appear to have been subsequently investigated.

Historical Exploration Activities

Exploration activity over the KP prior to 2007 is unknown and requires further investigation. A reconnaissance field survey was undertaken in 2007, including the excavation and sampling of four test pits, resulting in the recommendation to apply for a KP to cover the prospective area. There were two preliminary sampling programs undertaken in 2008, the first by a consultant geologist and the other by representatives of Fortuna.

In 2007 a reconnaissance field survey of the area around the village of Pasar Talo was completed by an Indonesian technical team to assess the areas prospectivity for concentrations of Iron Sands. Field activity included the excavation and sampling of four test pits, with the reported concentration of Iron Sands ranging from 11 to 67%. Refer Table 1. The iron content of the Iron Sands was not reported. Based on this reconnaissance field survey it was recommended to apply for a KP to cover the area around the village of Pasar Talo. The two higher concentrations of Iron Sands reported from this survey are located inland and appear to represent potential strand lines sub parallel to the present coast line. These sample sites do not appear to have been investigated by subsequent reconnaissance programs.

Test Pit	Northing	Easting	Iron Sands Concentration
1	9,528,821	242,010	17.6%
2	9,529,109	242,212	11.0%
3	9,529,114	242,717	67.0%
4	9,528,821	243,424	63.2%

Table 1 – 2007 test pit samples

A consultant geologist carried out a preliminary sampling program within the KP in August 2008. Refer Table 2. Four samples were collected; sample 1 was from a shallow (1 – 1.5m deep) test pit on the beach, samples 2 and 3 were of heavy mineral rich horizons from a "cliff" on the beach and sample 4 was from mangrove swamps at the edge of the Talo River.

Sample	Northing	Easting	Fe Content	Fe2O3 Content	Location
1	9,527,216	244,504	11.0%	15.6%	Test pit – central beach
2	9,527,146	244,194	22.5%	32.1%	"Cliff" face – central beach
3	9,527,146	244,194	16.1%	23.0%	"Cliff" face – central beach
4	9,527,463	243,752	10.7%	15.3%	Adjacent to Talo River

Table 2 – Consultant geologist heavy mineral sample locations and iron content

The sampling completed by the consultant geologist has demonstrated that the sedimentary profile contains potentially economic Iron Sands, albeit that the sampling was reconnaissance in nature and in part selective of the mineralised horizons. The samples also contained up to 3.9% Titanium Dioxide (TiO_2), supporting the consultant geologist's visual estimate of ilmenite within the Iron Sands horizons.

Representatives of Fortuna visited the site in December 2008 and collected seven samples, predominantly from hand dug pits (to a depth of 1.5 – 2.0m). Refer Table 3. Samples were collected as continuous "channels" from near surface to the base of the pits.

DIRECTORS' REPORT (continued)

SELUMA IRON SANDS PROJECT (continued)

Sample	Northing	Easting	Fe Content	Fe2O3 Content	Content Location
F01	9,527,125	244,216	6.8%	9.7%	Test pit – central beach
F02			6.6%	9.4%	15m south west of F01
F03			11.8%	16.9%	50m north west of F01
F04	9,527,086	244,357	4.8%	6.9%	
F05	9,527,008	244,332	7.8%	11.1%	
F06	9,527,582	243,569	6.9%	10.0%	
F07	9,527,640	243,475	17.9%	25.6%	

Table 3 – Fortuna heavy mineral sample locations and iron content

Results from the Fortuna sampling program were of a generally lower tenor than those collected by the consultant geologist, however this could be due to the sampling methodology which may have incorporated more over burden and inter burden sand than the consultant geologist sampling. The Company's consultant geologists, Zephyr Consulting Group, were not present for any of the sampling programs discussed and cannot verify the Quality Assurance and Quality Control procedures.

The consultant geologist and Fortuna sampling appears to have been completed on or near the beach in the central portion of the KP, leaving large portions of the KP untested. Accurate positioning of the KP relative to the samples is vital in the planning of future exploration activity, particularly given the high grade results reported from the 2007 sampling program.

A comprehensive summary of historical work programs is detailed in the ASX release of 14 January 2009.

Future Exploration Activities

Fortuna has instigated a systematic exploration program to assess the potential of the Seluma Iron Sands Project to host a large near surface iron sands resource. The first stage of this program consists of a broad spaced aircore drilling program, with drilling nominally on 800m line spacing and holes every 200m along the lines. Up to 69 holes are proposed for this initial program.

Drilling commenced on 29 July 2009 using a PT DrillCorp Internusa aircore drill rig but was suspended after completion of the first five holes.

Initial drilling was undertaken in the southern tenement areas while land access agreements were negotiated with villagers in the northern tenement areas. Remote sensing data and results of previously completed surface sampling indicates that better grades may be found in the north, and drilling progress in the south has proven slower, and therefore more expensive, because of difficulty moving between holes. A decision was therefore made to suspend drilling until access to the northern tenement areas is obtained.

As a result this program was limited to 5 holes, which formed part of a section across the prospective stratigraphy in the south east of the project area along strike from previous hand auger drilling that had returned only minor to low levels of Iron Sands mineralisation. The holes completed were mostly located in swampy country between two sand dune systems and did not extend to the coast and therefore did not test the coastal dune system or the current beach.

Assays from this very limited program returned only weakly anomalous results, with a better intersection of 3m at 8.42% Fe_2O_3 (5.89% Fe) from surface.

The Seluma Iron Sands Project remains prospective for economic Iron Sands mineralization and it is the Company's intention to resume exploration activities upon securing land access agreements on the more prospective areas within the license area.

DIRECTORS' REPORT (continued)

CHRISTMAS BORE PROJECT (Fortuna earning 75%, now terminated)

Exploration activities over the Christmas Bore Project (P37/6760, P37/6761) included the acquisition and reprocessing of regional geophysical data. High resolution (100 meter line spacing) multi-client aeromagnetic and radiometric data was purchased through Fugro. Data processing was carried out by an independent geophysical consultant and included the re-gridding of aeromagnetic data and the production of numerous GIS ready images. Other datasets processed for use with the GIS included Bouguer Gravity, DTM data, Landsat TM and radiometric data.

Following a review of available data these tenements were surrendered and the earn-in agreement terminated.

Operating results for the year

The loss of the Company for the financial period, after providing for income tax amounted to $237,527 (2008: $3,074,534).

Review of financial conditions

The Company currently has $355,096 in cash assets which the Directors believe puts the Company in an adequate financial position with sufficient capital in the short term provided further capital is raised in the future.

Risk management

Details of the Company's Risk Management policies are contained within the Corporate Governance Statement in Directors' Report.

Corporate Governance

Details of the Company's Corporate Governance policies are contained within the Corporate Governance Statement in Directors' Report.

Significant events after balance date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Environmental legislation

The Company is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities.

The directors are not aware of any significant breaches of these requirements during the period.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

DIRECTORS' REPORT (continued)

Remuneration report

This report outlines the remuneration arrangements in place for directors and senior management of Fortuna Minerals Limited (the "Company") for the financial year ended 30 June 2009.

The following persons acted as directors during or since the end of the financial year:

Mr Garry Ralston (Non- Executive Director)

Mr Mathew Walker (Executive Chairman)

Mr Russell Lynton-Brown (Non- Executive Director) (appointed 21 November 2008)

Mr Michael Shields (Non- Executive Director) (resigned 21 November 2008)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr Garry Ralston (Non- Executive Director)

Mr Mathew Walker (Executive Chairman)

Mr Russell Lynton-Brown (Non- Executive Director)

Mr Michael Shields (Non- Executive Director) (resigned 21 November 2008)

Mr James Robinson (Company Secretary – appointed 3 December 2008)

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration

Remuneration committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the senior management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 21 November 2008 when shareholders approved an aggregate remuneration of up to $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director is entitled to receive a fee for being a director of the Company however no directors fees were paid for the 2008/2009 financial year – either executive or non-executive.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

The remuneration of non-executive directors for the period ended 30 June 2009 is detailed in the Remuneration of directors and named executives section of this report on page 10 of this report.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and Company options (as determined from time to time). In addition the Company employees and directors, the Company has contracted key consultants on contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by the independent directors committee (which assumes the role of the Remuneration Committee). The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Fixed remuneration is paid in the form of cash payments.

The fixed remuneration component of the 5 most highly remunerated Company executives is detailed in Table 1.

Employment Contracts

The Company does not currently have any employment contracts in place.

Remuneration of directors and named executives

Table 1: Directors' and named executives remuneration for the year ended 30 June 2009

	Short-term employee benefits			Post-employment benefits		Equity	Other	Total	%
	Salary & Fees	Bonuses	Non- Monetary Benefits	Superannuation	Prescribed Benefits	Options			Performance Related
Mr Garry Ralston	2,583[1]	-	-	-	-	-	-	2,583	-
Mr Mathew Walker	-	-	-	-	-	-	-	-	-
Mr Russell Lynton-Brown	-	-	-	-	-	-	-	-	-
Mr James Robinson	23,333	-	-	-	-	-	-	23,333	-
Mr Michael Shields	-	-	-	-	-	-	-	-	-
Total	**25,916**	**-**	**-**	**-**	**-**	**-**	**-**	**25,916**	**-**

Table 2: Directors' and named executives remuneration for the year ended 30 June 2008

	Short-term employee benefits			Post-employment benefits		Equity	Other	Total	%
	Salary & Fees	Bonuses	Non- Monetary Benefits	Superannuation	Prescribed Benefits	Options			Performance Related
Mr Garry Ralston	17,213	-	-	-	-	200,200	-	217,413	-
Mr Mathew Walker	57,500	-	-	-	-	500,500	-	558,000	-
Mr Michael Shields	11,148	-	-	-	-	200,200	-	211,348	-
Total	**85,861**	**-**	**-**	**-**	**-**	**900,900**	**-**	**986,761**	**-**

[1] Relates to unpaid director fees from the previous financial year

DIRECTORS' REPORT (continued)

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Director Meetings		Independent Director Meetings	
Director	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**
Mr Garry Ralston	7	7	1	1
Mr Mathew Walker	7	7	0	0
Mr Russell Lynton-Brown	4	6	1	1
Mr Michael Shields	1	1	0	0

In addition, one circular resolution was signed by the board during the period.

Auditor Independence and Non-Audit Services

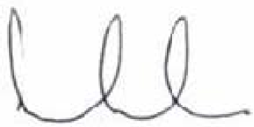
Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 21 and forms part of this directors' report for the year ended 30 June 2009.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 19 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.



Mathew Walker

Executive Chairman

Dated this 23rd day of September 2009

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Fortuna Minerals Limited is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council ('CGC') published guidelines as well as its corporate governance principles and recommendations.

The CGC's published guidelines are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

Fortuna Minerals Limited's corporate governance practices were in place throughout the year ended 30 June 2009.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Fortuna Minerals Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Fortuna Minerals Limited are considered to be independent:

Name	Position
Mr Garry Ralston	Non-Executive Director
Mr Russell Lynton-Brown	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the Company's expense.

CORPORATE GOVERNANCE STATEMENT (continued)

The term in office held by each director in office at the date of this report is as follows:

Name	**Term in Office**
Mr Garry Ralston	1 year 10 months
Mr Mathew Walker	1 year 10 months
Mr Russell Lynton-Brown	10 months

ASX BEST PRACTICE RECOMMENDATIONS AND COMMENTS

	BEST PRACTICE RECOMMENDATION	**COMMENT**
1	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Company's Corporate Governance Policies includes a section on Performance Evaluation Practices, which discloses the performance evaluation criteria. During the period a Performance evaluation of senior executives (the Executive Director) was performed once during the year and was in accordance with the process described in the Corporate Governance Policies.
1.3	Companies should provide the information indicated in the Guide to reporting Principle 1.	Any departure from principle 1.1 and 1.2 are contained in the above points. A performance evaluation of senior executives (the Executive Director) was performed once during the year and was in accordance with the process described in the Company's Corporate Governance Policies. The Corporate Governance Policies which discloses the board charter is available on the Company's web site.
2	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	Adopted. The Independent Directors are considered to be: Mr Garry Ralston Mr Russell Lynton-Brown
2.2	The chairperson should be an independent director.	The chairperson is Mr Mathew Walker. He is not considered to be an independent director. Given the Company's size, history and the fact the majority of the Board is considered to be independent, the Board considers this to be appropriate.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Company has an Executive Chairman; Mr Mathew Walker (considered to be the Chief Executive Officer). Given the Company's size, history and that the majority of the Board is considered to be independent, the Board considers this to be appropriate.

CORPORATE GOVERNANCE STATEMENT (continued)

2.4	The board should establish a nomination committee.	The Board did not believe it was necessary to establish a nomination committee during the year, however the Board has established an Independent Directors Committee that has assumed the role of the Nomination Committee. The Independent Director Committee meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The Independent Directors Committee comprised the following members and met once during the year: Mr Garry Ralston Mr Russell Lynton-Brown The Company has a formal Nomination Committee Charter, which is included in the Company's Corporate Governance Policy which is available on the Company's web site.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Companies Corporate Governance Policies include on Performance Evaluation Practices that are used to evaluate the performance of the board.
2.6	Companies should provide the information indicated in *Guide to Reporting on Principle 2.*	The Company has included details for each director, such as their skills, experience and expertise relevant to their position in the Directors Report (section 2). Any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 are included in the above sections.
3	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) The practices necessary to maintain confidence in the Company's integrity (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company's Corporate Governance Statement includes a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. General principles of the Code of Conduct include: 1. Employees of the Company must act honestly, in good faith and in the best interests of the Company as a whole. 2. Employees have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment 3. Employees must recognise that their primary responsibility is to the Company's shareholders as a whole. 4. Employees must not take advantage of their position for personal gain, or the gain of their associates.

CORPORATE GOVERNANCE STATEMENT (continued)

		5. Directors have an obligation to be independent in their judgments. 6. Confidential information received by employees in the course of the exercise of their duties remains the property of the Company. Confidential information can only be released or used with specific permission from the Company. 7. Employees have an obligation, to comply with the spirit as well as the letter, of the law and with the principles of this code.
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company's Corporate Governance Policy includes a section on Securities Trading Policy, which provides guidelines for transacting (buying and selling) securities in the Company, which has been posted on the Company's web site. The key policy items include: 1. General Restrictions when in possession of Inside Information, which includes sections dedicated to Insider Trading Laws and Confidential Information. 2. Additional Trading restrictions for directors and some employees. This section details times when Restricted Persons are prohibited from trading the Company's securities, and policies on exceptional circumstances where clearance is given to restricted persons. 3. Policies that Restricted persons must comply with prior to and after trading of the Company's securities. 4. Other sections of this policy include Notification of Trading, Breaches of Policy and General.
3.3	Companies should provide the information indicated in Guide to Reporting on Principle 3.	Any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 during the period are disclosed in the above sections. The Corporate Governance Statement which includes an applicable code of conduct or a summary and the trading policy or a summary, has been posted on the Company's website.

CORPORATE GOVERNANCE STATEMENT (continued)

4	***Safeguard integrity in financial reporting***	
4.1	The board should establish an audit committee.	The Board has not established an Audit Committee, however has established an Independent Directors Committee that has assumed the role of the Audit Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Independent Director Committee. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Independent Director Committee are non-executive directors. The Company has a formal Audit Committee Charter, which is included in the Company's Corporate Governance Policy which is available on the Company's web site.
4.2	The audit committee should be structured so that it: 1. consists of only non-executive directors 2. consists of a majority of independent directors 3. is chaired by an independent director, who is not the chair of the Company 4. has at least three members.	As described in section 4.1, the Independent Director Committee assumed the role of the Audit Committee during the year. The Independent Director Committee: 1. Does consist of only non-executive directors, Mr Garry Ralston and Mr Russell Lynton-Brown. 2. Does consist of a majority of independent directors. 3. Is chaired by an independent director, who is not the chair of the Company. This Committee is chaired by Garry Ralston who is the Chair of the Company. 4. The Committee does not have three members, only two members. This is due to the Company only having two independent, non-executive directors to form the committee. The members of the Independent Directors committee that has the responsibility of the Audit Committee during the year were: Mr Garry Ralston Mr Russell Lynton-Brown Qualifications of audit committee members: Mr Garry Ralston - Licensed Finance Broker (CFB) Mr Russell Lynton-Brown - nil
4.3	The audit committee should have a formal charter.	The Company's Corporate Governance Policy includes a formal charter for the proposed audit committee.

CORPORATE GOVERNANCE STATEMENT (continued)

4.4	Companies should provide information indicated in the Guide to reporting on Principle 4.	This information is included in the above sections 4.1, 4.2 and 4.3. The Corporate Governance Statement has been posted on the Company's website.
5	***Make timely and balanced disclosure***	
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the factual presentation of the Company's financial position and the development of the Company's assets and activities. There is a vetting and authorisation processes in place that is designed to ensure that the Company's announcements: 1. Are made in a timely manner 2. Are factual 3. Do not omit material information 4. Are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
5.2	Provide the information indicated in *Guide to Reporting on Principle 5.*	Any departures are included in section 5.1 and 5.2 of this report. The Corporate Governance Statement has been posted on the Company's website.
6	***Respect the rights of shareholders***	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	The Company's Corporate Governance Policy includes a Shareholder Communications Strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Any departures are included in section 6.1 and 6.2 of this report. The Corporate Governance Statement has been posted on the Company's website.
7	**Recognise and manage risk**	
7.1	Companies should establish policies for oversight and management of material risks and disclose a summary of these policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's Corporate Governance Policies include policies for oversight and management of material risks under the section Risk Management and Internal Compliance and Control, which is disclosed on the Company's web site.
7.2	The board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	1. Risk Management and internal control system. The Executive Director is responsible for Risk Management and internal control systems and reports material business risks to the board. 2. Internal audit function The Audit Committee / Independent Director committee is described in section 4.1 and 4.2.

CORPORATE GOVERNANCE STATEMENT (continued)

		3. Risk Management Committee The Board has not established a Risk Committee, however has established an Independent Directors Committee that has assumed the role of the Risk Committee which operates under a charter approved by the Board. The Board is ultimately responsible for risk oversight and risk management. During the year, the Independent Directors Committee met once and discussed the recognition and management of risk, and reported this to the board.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration in accordance with section 295A of the Corporations Act is founded on a and system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	At present, the Board believes that it has adequately addressed issues of Risk and the future management of risk.
7.4	Provide the information indicated in *Guide to Reporting on Principle 7.*	The Board considers it is appropriate to require the Managing Director and Chief Financial Officer (Company Secretary) to provide such a statement at the relevant time, i.e. as part of the annual and half yearly financial report process. Any departures from best practice recommendations 7.1, 7.2, 7.3 and 7.4 are included in the above sections. The Corporate Governance Statement has been posted on the Company's website.
8	***Remunerate fairly and responsibly***	
8.1	The board should establish a remuneration committee.	1. Purpose of the Remuneration Committee The Board has not established a Remuneration Committee, however has established an Independent Directors Committee that has assumed the role of the Remuneration Committee, which operates under a charter approved by the Board. This committee met once during the year. 2. Charter The Company's Corporate Governance Policies includes a section on Remuneration Committee Charter, which form the charter that the Independent Directors Committee relies upon when discussing remuneration. 3. Composition of the Independent Director Committee The Independent Director Committee: a. Does consist of only independent directors, Garry Ralston (Chair) and Russell Lynton-Brown.

CORPORATE GOVERNANCE STATEMENT (continued)

		b. Is chaired by an independent director, who is not the chair of the Company. This Committee is chaired by Garry Ralston. c. The Committee does not have three members, only two members. This is due to the Company only having two independent, non-executive directors to form the committee. d. Remuneration Policy The remuneration policy is described in the Remuneration Committee Charter in the Corporate Governance Policies which is available on the Company's web site.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	**Remuneration** It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are: ☐ retention and motivation of key executives; ☐ attraction of high quality management to the Company; and ☐ performance incentives that allow executives to share the success of Fortuna Minerals Limited. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team. The Board has not established a Remuneration Committee. Members of the Remuneration Committee throughout the year were: Mr Garry Ralston Mr Russell Lynton-Brown
8.3	Provide the information indicated in *Guide to Reporting on Principle 8.*	The names of the members of the Independent Director Committee which assumed the role of the Remuneration Committee during the year is included in section 8.2 above.

CORPORATE GOVERNANCE STATEMENT (continued)

		The Company does not currently have in existence any schemes for retirement benefits. Any departures from best practice recommendations 8.1, 8.2 and 8.3 are included above. The Company's Corporate Governance Policies, which includes a Remuneration Committee Charter is available on the Company's web site.

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Fortuna Minerals Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Fortuna Minerals Limited.

Perth, Western Australia
23 September 2009

N G NEILL
Partner, HLB Mann Judd

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes		Consolidated	Company
		2009 $	2008 $	2008 $
Continuing operations				
Interest revenue		226	6,246	6,246
Other income	2	29,227	-	-
		29,453	6,246	6,246
Employee benefits expense		(30,210)	(1,105,192)	(1,105,192)
Audit and assurance fees		(28,115)	(61,828)	(61,828)
Consulting fees		(23,333)	(89,261)	(89,261)
Legal fees		-	(90,000)	(90,000)
Bad debts		-	(94,109)	(94,109)
Share registry expenses		(16,563)	(32,116)	(32,116)
Professional fees		-	(217,341)	(217,341)
Impairment of investment		-	-	(1,167,364)
Marketing		-	(15,891)	(15,891)
Recruitment costs		-	(3,602)	(3,602)
Other expenses	2	(168,759)	(204,076)	(204,076)
Loss before income tax expense		**(237,527)**	**(1,907,170)**	**(3,074,534)**
Income tax expense		-	-	-
Loss after tax from continuing operations		**(237,527)**	**(1,907,170)**	**(3,074,534)**
Loss after tax from discontinued operation		**-**	**(1,167,364)**	**-**
Loss attributable to members of the parent entity		**(237,527)**	**(3,074,534)**	**(3,074,534)**

Basic loss per share (cents per share)	4	(1.85)	(30.86)
Basic loss per share from continuing operations (cents per share)		(1.85)	(19.14)
Basic loss per share from discontinued operations (cents per share)		-	(11.72)

The accompanying notes form part of these financial statements

BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 $	Consolidated 2008 $	Company 2008 $
Assets				
Current Assets				
Cash and cash equivalents	9	355,096	135,506	135,506
Other assets	10	19,303	10,919	10,919
Total Current Assets		374,399	146,425	146,425
Non-Current Assets				
Exploration and evaluation expenditure	11	55,736	-	-
Total Non-Current Assets		55,736	-	-
Total Assets		430,135	146,425	146,425
Liabilities				
Current Liabilities				
Trade and other payables	12	35,234	201,024	201,024
Total Current Liabilities		35,234	201,024	201,024
Total Liabilities		35,234	201,024	201,024
Net Assets		394,901	(54,599)	(54,599)
Equity				
Issued capital	7	6,392,749	5,705,722	5,705,722
Reserves	8	1,118,075	1,118,075	1,118,075
Accumulated losses		7,115,923	(6,878,396)	(6,878,396)
Total Equity		394,901	(54,599)	(54,599)

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Issued Share Capital	Accumulated Losses	Option Reserve	Total
Consolidated				
Balance at 1 July 2007	3,902,860	(3,803,862)	214,175	313,173
Loss attributable to members of the parent entity	-	(3,074,534)	-	(3,074,534)
Shares issued pursuant to prospectus	37,500	-	-	37,500
Shares issued pursuant to IPO	2,002,000	-	-	2,002,000
Share Options issued	-	-	903,900	903,900
Transaction Costs	(236,638)	-	-	(236,638)
Balance at 30 June 2008	5,705,722	(6,878,396)	1,118,075	(54,59
Company				
Balance at 1 July 2007	3,902,860	(3,803,862)	214,175	313,173
Loss attributable to members of the parent entity	-	(3,074,534)	-	(3,074,534)
Shares issued pursuant to prospectus	37,500	-	-	37,500
Shares issued pursuant to IPO	2,002,000	-	-	2,002,000
Share Options issued	-	-	903,900	903,900
Transaction Costs	(236,638)	-	-	(236,638)
Balance at 30 June 2008	5,705,722	(6,878,396)	1,118,075	(54,59
Company				
Balance at 1 July 2008	5,705,722	(6,878,396)	1,118,075	(54,59
Loss attributable to members of the parent entity	-	(237,527)	-	(237,527)
Shares issued	687,027	-	-	687,027
Balance at 30 June 2009	6,392,749	(7,115,923)	1,118,075	394,901

The accompanying notes form part of these financial statements.

CONDENSED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2008 $
Cash flows from operating activities				
Payments to suppliers and employees		(394,366)	(2,247,879)	885,154
Interest received		226	6,246	6,246
Net cash used in operating activities	9	**(394,140)**	**(2,241,633)**	**(878,908)**
Cash flows from investing activities				
Payment for investment in subsidiary		-	-	(718,823)
Disposal of discontinued operation		-	67,870	-
Payments for exploration and evaluation expenditure	11	(73,297)	-	-
Net cash used in investing activities		**(73,297)**	**(67,870)**	**(718,823)**
Cash flows from financing activities				
Proceeds from issue of shares		687,027	1,802,862	1,802,862
Repayment of borrowings		-	(50,000)	(75,000)
Net cash provided by financing activities		**687,027**	**1,752,862**	**1,727,862**
Net increase/(decrease) in cash held		219,590	(420,901)	130,131
Cash and cash equivalents at the beginning of the period		135,506	556,407	5,375
Cash and cash equivalents at the end of the period	9	**355,096**	**135,506**	**135,506**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are Mining Exploration.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2009, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 23 September 2009.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of Consolidation

The consolidated financial statements comprise the separate financial statements of Fortuna Minerals Limited and its subsidiaries as at 30 June each year (the Group). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(j) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Other taxes

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

- when 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, which 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 financing activities, which is 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.

(l) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(m) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(o) Share-based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Fortuna Minerals Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash settled transactions:

The Company also provides benefits to employees in its electronics segment in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Fortuna Minerals Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

(p) Issued capital

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(s) Going concern

The financial statements have been prepared on the going concern basis, the validity of which depends upon the positive cash position, reduced ongoing costs and the positive working capital position. The Company's existing projections show that further funds will be required to be generated, either by capital raisings, sales of assets or other initiatives, to enable the Company to fund its activities for at least the next twelve months from the date of signing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Going concern (continued)

Notwithstanding this issue, the directors have prepared the financial statements of the Company on a going concern basis. In arriving at this position, the directors have considered the following pertinent matters:

- At the meeting of shareholders held on 20 March 2009, approval was received for the issue of 20,665,358 shares at $0.10 to raise $2,066,536. To date 5,050,000 shares have been issued raising $505,000 and Directors continue to review options with respect to the balance of this.
- Australian Accounting Standard, AASB 101 "Accounting Policies", states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- It is the Directors' intention to raise additional capital to fund operating expenses for the period of 12 months from the date of signing the financial report.

Therefore, the ability of the Company to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report is dependent upon the directors successfully raising further equity.

In the Directors' opinion, at the date of signature of the financial report, there are reasonable grounds to believe that the matters set out above will be achieved and therefore the financial statements have been prepared on a going concern basis.

Should the Company be unable to obtain these additional funds there is significant uncertainty whether or not the Company will be able to continue as a going concern and therefore whether it will realise its assets, in particular its carried forward exploration and evaluation expenditure, and extinguish its liabilities in the normal course of business and at the amounts stated in the balance sheet.

The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the Company does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated 2009 $	Consolidated 2008 $	Company 2008 $
The following revenue and expense items are relevant in explaining the financial performance for the year ended 30 June 2009:			
(a) Revenue			
Interest Revenue	226	6,246	6,246
Other income (Input tax (GST) refunds – GST receivable written off in prior period)	29,227	-	-
	29,453	6,246	6,246
(b) Employee benefits expense			
Employee benefits	30,210	1,105,192	1,105,192
(b) Other expenses			
ASX fees	3,050	5,748	5,748
Office consumables	13,621	32,923	32,923
Rent	36,655	27,715	27,715
Travel expenses	44,235	7,616	7,616
Insurance	22,549	6,801	6,801
Exploration expenses	24,443	29,800	29,800
Other expenses	24,206	93,473	93,473
	168,759	204,076	204,076

NOTE 3: INCOME TAX

Income tax recognised in profit or loss

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

	2009 $	2008 $	2008 $
Accounting loss before tax from continuing operations	(237,527)	(1,907,170)	(3,074,534)
Profit before tax from discontinued operations	-	(1,167,364)	-
Accounting loss before income tax	(237,527)	(3,074,534)	(3,074,534)
Income tax benefit calculated at 30%	(71,258)	(922,360)	(922,360)
Non dedcutible expenses	12,950	271,170	271,170
Capitalised tenement expenses	(22,016)	-	-
Income tax benefit not brought to account	80,324	651,190	651,190
Income tax	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

The Company has tax losses arising in Australia of $2,360,999 (2008: $2,093,252) that are available indefinitely to offset against future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 4: EARNINGS PER SHARE

	2009 Cents per share	2008 Cents per share
Basic loss per share:		
Continuing operations	(1.85)	(19.14)
Discontinued operations	-	(11.72)
Total basic loss per share	(1.85)	(30.86)

Basic loss per share

	2009	2008
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:	19,717,962	9,961,954

There are no potential ordinary shares that are considered dilutive, as a result no diluted loss per share has been disclosed.

NOTE 5: SEGMENT INFORMATION

Industry & Geographical Segment

In prior year until 29 January 2008 the Company operated in one business segment being an internet and telephone sports bookmaker operating under a Sports Bookmakers Licence in the one geographical segment of Australia. Subsequent to the sale of its wholly owned subsidiary, the Company now focuses solely on investment opportunities in the mining and exploration industry, being the one business segment, and operates in the one geographical segment of Australia.

NOTE 6: DISCONTINUED OPERATIONS

On 3 December 2007 (prior year) the Company announced its decision to dispose of its wholly owned subsidiary Portlandbet Pty Ltd, thereby discontinuing its operations in the consolidated Company. The Company entered into a binding sales agreement for the sale of 100% of the issued capital of Portlandbet Pty on 29 January 2008 with shareholder approval. The financial performance of the discontinued operation, which is included in the consolidated income statement, is as follows:

	2009	2008
Revenue	**-**	**8,856**
Employee benefits expense	-	(458,394)
Depreciation expense	-	(47,230)
Finance costs	-	(218)
Consulting fees	-	(13,479)
Professional costs	-	(18,369)
Communications	-	(40,054)
Computer related consumables	-	(4,689)
Legal fees	-	(750)
Gross bookmaking loss	-	(110,300)
Marketing	-	(89,613)
Impairment loss	-	(100,060)
Other expenses	-	(293,064)
Expenses	**-**	**(1,176,220)**
Results form operating activities, net of income tax	-	(1,167,364)
Loss from discontinued operations after tax	**-**	**(1,167,364)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 7: ISSUED CAPITAL

	2009 $	Consolidated 2008 $	Consolidated 2008 $
Ordinary shares			
Issued and fully paid	6,392,749	5,705,722	5,705,722

	2009 #	 $	2008 #	 $
Movements in ordinary shares on issue				
At 1 July	10,421,428	5,705,722	41,347,063	3,902,860
Shares issued on 19 September 2007 pursuant to Initial Public Offering			10,010,000	2,002,000
Shares issued 4 December 2007 pursuant to Initial Public Offering dated 22 June 2007			750,000	37,500
			52,107,063	5,942,360
Consolidation of issued capital pursuant to shareholder approval granted 28 March 2008 (5 for 1 consolidation)			10,421,428	5,942,360
Transaction costs on share issue				-236,638
Shares at $0.05 issued on 22/09/2008	1,180,000	59,000		
Shares at $0.05 issued on 17/11/2008	383,214	19,161		
Shares at $0.05 issued on 15/01/2009	300,000	15,000		
Shares at $0.05 issued on 29/01/2009	100,000	5,000		
Shares at $0.05 issued on 11/02/2009	950,000	47,500		
Shares at $0.05 issued on 23/04/2009	1,333,320	66,666		
Shares at $0.10 issued on 12/05/2009	3,050,000	305,000		
Shares at $0.10 issued on 11/06/2009	2,000,000	200,000		
Shares issue costs		-30,300		
At 30 June	19,717,962	6,392,749	10,421,428	5,705,722

The Company does not have authorised capital no par value in respect of its issued shares. Ordinary shares participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At Shareholder meetings each ordinary share is entitled to one voted when a poll is called, otherwise each shareholder has on vote on a show of hands.

NOTE 8: SHARE OPTIONS RESERVES

Share option movements for the Company:	2009 $	Consolidated 2008 $	Consolidated 2008 $
Balance at beginning of financial year	1,118,075	214,175	214,175
200,000 Options Issued	-	3,000	3,000
9,000,000 Options Issued	-	900,900	900,900
Balance at end of financial year	1,118,075	1,118,075	1,118,075

	No.	No.	No.
Balance at beginning of financial year	11,278,500	1,077,500	1,077,500
Options Issued 19 September 2007 via IPO		1,001,000	1,001,000
Options Issued 4 December 2007	-	200,000	200,000
Options Issued 14 February 2008	-	9,000,000	9,000,000
Balance at end of financial year	11,278,500	11,278,500	11,278,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 8: SHARE OPTIONS (continued)

The Company has established the Fortuna Minerals Limited Employee Share Option Plan (ESOP) and a summary of the terms and conditions of the Plan are set out below:

- All employees (full time and part time) will be eligible to participate in the Plan.
- Options are granted under the Plan at the discretion of the board and if permitted by the board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue (provided all relevant vesting conditions, if applicable, have been met. Options will be issued free. The exercise price of options will be determined by the board. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of the Company for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 30 days from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.
- Options are granted under the plan for no consideration.
- Each share options converts into one ordinary shares of Fortuna Minerals Limited.

The Board may amend the terms and conditions of the plan subject to the requirements of the Listing Rules.

No options were issued to employees under the ESOP during the year.

On the 14 February 2008, 9,000,000 share options were issued to directors to accept shares at an exercise price of $0.20. The options are exercisable on or before 31 December 2012. The options hold no voting or dividend rights and are not transferrable. At balance date, no share options had been exercised.

The balance as at 30 June 2009 is represented by:

- A total of 50,000 (post 5 for 1 consolidation “post consolidation”) options issued on 22 August 2006 and exercisable any time until 21 August 2011 with a strike price of $2.00 (post consolidation) and a fair value per option at grant date of $0.3325 (post consolidation).
- A total of 150,000 (post consolidation) options issued on 22 August 2006, vesting on 19 September 2009 and exercisable any time until 21 August 2011, with a strike price of $1.00 (post consolidation) and a fair value per option at grant date of $0.477 (post consolidation).
- A total of 417,500 (post consolidation) options issued on 27 April 2007 and exercisable any time until 26 April 2010, with a strike price of $1.00 (post consolidation).
- A total of 350,000 (post consolidation) options issued on 29 May 2007 and exercisable any time until 28 May 2012, with a strike price of $1.00 (post consolidation) and a fair value per option at grant date of $0.36 (post consolidation).
- A total of 110,000 (post consolidation) options issued on 8 June 2007 and exercisable any time until 7 June 2010, with a strike price of $1.00 (post consolidation).
- A total of 1,001,000 (post consolidation) options issued on 19 September 2007 and exercisable any time until 18 September 2010, with a strike price of $1.00 (post consolidation).
- A total of 200,000 options issued on 4 December 2007 and exercisable any time until 4 December 2010, with a strike price of $1.00 (post consolidation) and a fair value per option at grant date of $0.075 (post consolidation).
- A total of 9,000,000 options issued on 14 February 2008 and exercisable any time until 31 December 2012, with a strike price of $0.20 and a fair value per option at grant date of $0.1001.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 8: SHARE OPTIONS (continued)

The value of Options issued in 2008 was calculated using the Black Scholes model using the following variables:

	14/12/2007	14/02/2008
Expected volatility	50%	75%
Risk-free interest rate	6.25	6.50%
Expected life of option (years)	3	4.88
Option exercise price	$0.20	$0.20
Weighted average share price	$0.04	$0.04

NOTE 9: CASH AND CASH EQUIVALENTS

		Consolidated	Company
	2009 $	2008 $	2008 $
Cash at bank and on hand	105,096	135,506	135,506
Short-term deposits	250,000	-	-
	355,096	135,506	135,506

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The Company did not engage in any non-cash financing activities for the period ending 30 June 2009 was not party to any borrowing facilities for the same period.

All cash was available for use, and no restrictions were placed on the use of it at any time during the period.

Reconciliation of loss for the year to net cash flows from operating activities	2009 $	Consolidated 2008 $	Company 2008 $
Loss for the year	(237,527)	(3,074,534)	(3,074,534)
<u>Adjustments for non operating and non cash flow items</u>			
Depreciation	-	47,230	-
Non cash interest expense	-	21,447	-
Equity settled share based payment for non cash benefits	-	903,900	903,900
Project write off / Impairment loss	17,651	100,060	1,167,364
Changes in assets and liabilities			
Change in trade and other receivables	(8,384)	27,456	11,408
Changes in trade and other payables	(165,790)	(267,192)	112,954
Net cash provided by/(used in) operating activities	(394,140)	(2,241,633)	(878,908)

NOTE 10: CURRENT TRADE AND OTHER RECEIVABLES

Other assets *	9,728	-	-
Prepayments	9,575	10,919	10,919
Trade and other receivables	19,303	10,919	10,919

* Other assets consist of Goods Services tax and interest receivable

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 11: EXPLORATION AND EVALUATION EXPENDITURE

		Consolidated	Company
	2009 $	2008 $	2008 $
Costs carried forward in respect of areas of interest in the following phases			
Exploration and evaluation phase – at cost			
Balance at beginning of year	-	-	-
Exploration expenditure - Christmas Bore Project	17,561	-	-
Exploration expenditure - Seluma Iron Sands Project	55,736	-	-
Project write off - Christmas Bore Project	(17,561)	-	-
Total deferred exploration and evaluation expenditure	55,736	-	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 12: TRADE AND OTHER PAYABLES (CURRENT)

Trade payables *	-	8,801	8,801
Other payables **	35,234	192,223	192,223
	35,234	201,024	201,024

* Trade payables are non-listed interest bearing and are normally settled on 60 day terms.
**Other payables include accruals and loan from Pacific funding for insurance.

NOTE 13: FINANCIAL INSTRUMENTS

	2009 $	2008 $
Financial assets		
Receivables	19,303	10,919
Cash and cash equivalents	355,096	165,506

The following table details the expected maturity/s for the Company's non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2009						
Non-interest bearing	-	5,010	-	-	-	-
Variable interest rate instruments	3.25	100,086	-	-	-	-
Fixed interest rate instruments	3.8	-	250,000	-	-	-
Receivables	-	19,303	-	-	-	-
		124,399	250,000	-	-	-
2008						
Non-interest bearing	-	135,506	-	-	-	-
Receivables	-	10,919	-	-	-	-
		146,425	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 13: FINANCIAL INSTRUMENTS (continued)

The following tables detail the Company's remaining contractual maturity/s for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2009						
Non-interest bearing	-	35,234	-	-	-	-
		35,234				
2008						
Non-interest bearing	-	201,024	-	-	-	-
		201,024	-	-	-	-

NOTE 14: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Company has exposure to the following risks from their use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

This note presents the information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.
The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks as summarised below.
The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year ended 30 June 2009, it has been the Company's policy not to trade in financial instruments.

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. 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 only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers. 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. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The company did not have any undrawn facilities at its disposal as at balance date.

c) Interest rate risk management

The Company is exposed to interest rate risk as the Company deposits the bulk of it's cash reserves in Term Deposits with the NAB. The risk is managed by the Company by maintaining an appropriate mix between short term and medium-term Deposits. The Company's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(i) Interest rate sensitivity

At 30 June 2009, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	2009 $
Change in Loss Change	
Increase in interest rate by 1%	(3,500)
Decrease in interest rate by 1%	3,500
Change in Equity Change	
Increase in interest rate by 1%	(3,500)
Decrease in interest rate by 1%	3,500

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of the holdings of financial instruments. The Company is exposed to movements in market interest rates on short term deposit. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Company does not have short or long term debt, and therefore this risk is minimal. The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Remuneration Commitments

No remuneration commitments were made by the Company.

Guarantees

Fortuna Minerals Limited did not commit to nor make guarantees of any form as at 30 June 2009.

Seluma Project Option

Under the Seluma Project option agreement, Fortuna Minerals Limited has the exclusive right but no obligation to acquire 100% of the issued capital of a company to be incorporated in Indonesia ("Company") which will hold a 100% interest in the Seluma Iron Sands Project located on the island of Sumatra in Indonesia ("Project") which is comprised of Kuasa Pertambangan eksplorasi number KW.08 JNP 006 ("KP"), a mining licence.

The exercise of the option at any time prior to 12 January 2011 is conditional upon, but not limited to, respective shareholder and regulatory approvals, due diligence and the Company holding unencumbered legal and beneficial title to the KP. The consideration payable by Fortuna for the option was US$10,000 (which has been paid) and, in the event Fortuna exercises the option to acquire the Company, a total royalty of US$ 10.00 per tonne of mined concentrate of all minerals obtained from the KP is payable.

In addition, upon a decision by Fortuna to commence mining operations on the KP and subject to entering into a formal loan agreement on terms acceptable to Fortuna, Fortuna shall make available a loan in the amount of AU$600,000 to one of the vendors of the Company.

NOTE 16: DIVIDENDS

The directors of the Company have not declared any dividends for the year ended 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 17: CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2009.

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events since the reporting date.

NOTE 19: AUDITOR'S REMUNERATION

The auditor of Fortuna Minerals Limited is HLB Mann Judd for 2009 year

(2008 – PKF Chartered Accountants)

	2009 $	2008 $
Amounts received or due and receivable Auditors for:		
An audit or review of the financial reports	28,115	43,318
An Independent Accountants Report – Company's Prospectus	-	18,510
	28,115	61,828

NOTE 20: DIRECTORS AND EXECUTIVES DISCLOSURES
(a) Details of Key Management Personnel

Mr Mathew Walker	Executive chairman
Mr Garry Ralston	Non-executive director
Mr Russell Lynton-Brown	Non-executive director (appointed 21 November 2008)
Mr Michael Shields	Non-executive director (resigned 21 November 2008)
Mr James Robinson	Company Secretary (appointed 3 December 2008)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(b) Option holdings of Key Management Personnel

30 June 2009	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period
Mr Mathew Walker	5,000,000	-	-	-	5,000,000
Mr Garry Ralston	2,000,000	-	-	-	2,000,000
Mr Russell Lynton Brown	1,000*	-	-	-	1,000
Mr Michael Shields	2,000,000	-	-	-	2,000,000^
Mr James Robinson	-	-	-	-	-
Total	**9,001,000**	**-**	**-**	**-**	**9,001,000**

* Balance at appointment (appointed 21 November 2008)
^ Balance at retirement (resigned 21 November 2008)

30 June 2008	Balance at beginning of period	Granted as remuneration	Net change Other	Options exercised or Vested	Balance at end of period
Directors					
Mr Mathew Walker	-	5,000,000	-	(5,000,000)	-
Mr Garry Ralston	-	2,000,000	5,000	(2,005,000)	-
Mr Michael Shields	-	2,000,000	-	(2,000,000)	-
Former Directors					
Mr John Levy	250,000	-	-	-	250,000
Mr Robert Drake	250,000	-	-	-	250,000
Mr Craig Astil	250,000	-	-	-	250,000
Mr David Gray	25,000	-	250,000	(275,000)	-
Mr Stephen Hobbs	250,000	-	-	-	250,000
Total	**1,025,000**	**9,000,000**	**255,000**	**(9,280,000)**	**1,000,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(c) Shareholdings of Key Management Personnel

	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Shares acquired during the period	Balance at end of period
30 June 2009	Ord	Ord	Ord	Ord	Ord
Mr Mathew Walker	2,000,000	-	-	-	2,000,000
Mr Garry Ralston	872,305	-	-	-	872,305
Mr Russell Lynton-Brown	102,000*				102,000
Mr Michael Shields	-	-	-	-	-^
Mr James Robinson	423,214**	-	-	-	423,214
	3,397,519	**-**	**-**	**-**	**3,397,519**

* Balance at appointment (appointed 21 November 2008) and 100,000 held in the name of Husif Nominees Pty Ltd.
** Balance at appointment (appointed 3 December 2008)
^ Balance at retirement (resigned 21 November 2008)

	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Shares acquired during the period	Balance at end of period
30 June 2008	Ord	Ord	Ord	Ord	Ord
Mr Mathew Walker	-	-	-	2,000,000	2,000,000
Mr Garry Ralston	-	-	-	872,305	872,305
Mr John Levy *	698,907	-	-	-	698,907
Mr Robert Drake *	269,775	-	-	-	269,775
Mr David Gray *	50,000	-	-	828,000	878,000
Mr Nicholas Kephala *	53,256	-	-	-	53,256
Mr Stephen Hobbs *	5,000,000	-	-	-	5,000,000
	6,071,938	**-**	**-**	**3,700,305**	**6,071,938**

***** Former Directors Holdings

NOTE 21: RELATED PARTY DISCLOSURES

Disclosure of interest of Administration Agreement with Cicero Corporate Services Pty Ltd

- Mathew Walker is a joint owner and director of Cicero Corporate Services Pty Ltd.
- Services provided include office rent of the Company's principal place of business, bookkeeping and boardroom facilities.
- Cicero Corporate Services Pty Ltd is contracted to provide administration services on an ongoing basis, of approximately $4,000 plus reimbursements per month.
- Cicero Corporate Services Pty Ltd provided administration services to the Company on commercial terms during the year. The Company made payments during the year on commercial terms totalling $46,449 (2008 - $14,900) to Cicero Corporate Services Pty Ltd for administration services.

DIRECTORS' DECLARATION

In the opinion of the directors of Fortuna Minerals Limited ('the Company'):

1. The financial statements and notes thereto, as set out on pages 22 to 43, are in accordance with the Corporations Act 2001 including:

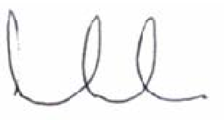
   a. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year then ended; and

   b. complying with Accounting Standards and Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

This declaration is signed in accordance with a resolution of the Board of Directors.



Mathew Walker

Executive Chairman

23 SEPTEMBER 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
Fortuna Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Fortuna Minerals Limited, which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration as set out on pages 22 to 44.

Directors' Responsibility for the Financial Report

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

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 2 15 Rheola Street West Perth 6005 PO Box 263 West Perth 6872 Western Australia. Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Fortuna Minerals Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the period 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(c).

Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1(s) in the financial report which indicates that the company will require additional sources of funding to enable it to carry out its objectives. If the company is unable to generate additional cash flows, there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 10 of the directors' report for the period ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Fortuna Minerals Limited for the period ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glad

Perth, Western Australia
23 September 2009

N G NEILL
Partner

ADDITIONAL SHAREHOLDER INFORMATION

A. Corporate Governance

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is contained within the Director's Report.

B. Shareholding

1. Substantial Shareholders

There are four substantial holder listed on the Company's register as at 15 September 2009:

Mr Mathew Donald Walker holding 2,000,000 shares or 10.14% of the Company's issued capital.
Austock Investments Pty Ltd holding 2,000,000 shares or 10.14% of the Company's issued capital.
Batio Pty Ltd <Wild S/F A/C> holding 1,350,000 shares or 6.85% of the Company's issued capital.
Felix Bay Capital Pty Ltd <Felix Bay Capital A/C> holding 1,000,000 shares or 5.07% of the Company's issued capital.

2. Number of holders in each class of equity securities and the voting rights attached (as at 15 September 2009)

Ordinary Shares

There are 404 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

In accordance with the Company's Constitution, on a show of hands every number present in person or by proxy or attorney or duly authorized representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorized representative has one vote for every fully paid ordinary share held.

Options

There are 226 holders of options. There are no voting rights attached to these options.

3. Distribution schedule of the number of holders in each class of equity security as at 15 September 2009.

a) Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	18	14,863	0.08 %
1,001 - 5,000	202	516,424	2.62 %
5,001 - 10,000	54	476,289	2.42 %
10,001 - 100,000	99	3,992,905	20.25 %
100,001 -	31	14,717,481	74.64 %
TOTAL ON REGISTER	404	19,717,962	100.00 %

b) Unlisted Options exercisable at $1.00 on or before 18 October 2010

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	133	133,000	13.29 %
1,001 - 5,000	69	226,478	22.63 %
5,001 - 10,000	12	96,400	9.63 %
10,001 - 100,000	11	355,122	35.48 %
100,001 -	1	190,000	18.98 %
TOTAL ON REGISTER	226	1,001,000	100.00 %

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

4. Marketable Parcel

There are 183 shareholders with less than a marketable parcel.

5. Twenty largest holders of each class of quoted equity security

The names of the twenty largest holders of each class of quoted security, the number of equity security each holds and the percentage of capital each holds (as at 15 September 2009) is as follows:

Ordinary Shares Top 20 holders and percentage held

	HOLDER NAME		UNITS	% OF ISSUED
1 *	WALKER MATHEW DONALD		2,000,000	10.14%
2	AUSTOCK INV PL		2,000,000	10.14%
3	BATIO PL	WILD S/F A/C	1,350,000	6.85%
4	FELIX BAY CAP	FELIX BAY CAP A/C	1,000,000	5.07%
5	ROHDE STEPHEN C + C D	LINDREW A/C	719,400	3.65%
6	RIGI INV PL		666,660	3.38%
7	HOPKINS BRENDAN M A		666,660	3.38%
8	RALSTON GARRY		602,000	3.05%
9	HOBBS STEPHEN DOWNER	LLAMA A/C	600,000	3.04%
10 *	RAMSAY PAUL + TERREL		600,000	3.04%
11	MIKADO PL	JFC S/F A/C	500,000	2.54%
12 *	SABRELINE PL	JPR INV A/C	423,214	2.15%
13	HOBBS STEPHEN + JUSTA	ANCASH S/F A/C	320,000	1.62%
14	NG YEW KWANG		300,000	1.52%
15 *	CHAUS CAP PL		292,000	1.48%
16 *	DAWNFIELD INV PL		268,305	1.36%
17	DYAB PL	DYAB RETMNT FUND A	250,000	1.27%
18	VERIGREEN PL		227,000	1.15%
19	FREWAR P + LANGLEY K	TRIOPHE S/F A/C	200,000	1.01%
20	BASSETT NEVILLE JOHN		200,000	1.01%
	*** TOP 20 TOTAL ***		13,185,239	66.85%

** ALL HOLDERS INCLUDED * - DENOTES MERGED HOLDER

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

Options exercisable at $1.00 on or before 18 October 2010 Top 20 holders and percentage held

	HOLDER NAME		UNITS	% OF ISSUED
1	SPURRIER STEPHEN		190,000	18.98%
2	SPAGNOLO GIOVANNI		100,000	9.99%
3	RES ENG PL	THIRD FAM S/F A/C	50,000	5.00%
4	GAZUMP RES PL		48,600	4.86%
5	PILAKIS JIM + EFFIE	PILAKIS S/F A/C	30,022	3.00%
6	HARDMAN MATTHEW BRYCE		24,500	2.45%
7	FOLETTI SHANE		22,000	2.20%
8	RYNORA PL		20,000	2.00%
9	VANZYL DAVID SUNDANCE		20,000	2.00%
10 *	QUINCHIX PL	VDL INV A/C	15,000	1.50%
11	ANZ NOM LTD	CASH INCOME A/C	14,000	1.40%
12	WRIGHT PAUL JONATHAN		11,000	1.10%
13	DAVID GRAY & CO PL		10,000	1.00%
14	JANSEN JOHN + DALE L	JJ RETMNT FUND A/C	10,000	1.00%
15	CHRISTODOULOU SAVAS + M	SAM CHRISTODOULOU	10,000	1.00%
16 *	MOSS JOHN PETER		10,000	1.00%
17	CLICKA NETWORK PL	DE LA TORRE EQUITI	10,000	1.00%
18	LANGE HEIDI		8,400	0.84%
19	GLOBAL MAXIMUS PL		7,500	0.75%
20	SIM PETER JOHN MEIKLE		7,000	0.70%
	*** TOP 20 TOTAL ***		618,022	61.77%

** ALL HOLDERS INCLUDED * - DENOTES MERGED HOLDER

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

1. Company Secretary

The name of the Company secretary is James Robinson.

2. Address and telephone details of the Company's registered administrative office and principle place of business:

Suite 9, 1200 Hay Street
WEST PERTH WA 6005
Telephone: (08) 6460 4960
Fax: (08) 9324 3045

3. Address and telephone details of the office at which a registry of securities is kept:

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

4. Stock exchange on which the Company's securities are quoted:

The Company's listed equity securities are quoted on the Australian Stock Exchange.

5. Restricted Securities

There are no restricted securities on issue.

6. Review of Operations

A review of operations is contained in the Directors' Report.

7. Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily exploration for natural resources and acquisition of resource based projects. The Company believes it has used its cash in a consistent manner to which was disclosed under the prospectus dated 22 June 2007.

8. Schedule of Tenements

Currently the Company does not own any tenements. The Company does hold an option over the Seluma Iron Sands project on the island of Sumatra, Indonesia – KP (Kuasa Pertambangan/Mining Licence) eksplorasi number KW.08 JNP 006.