Fortuna Minerals Limited

ABN 95 112 425 788

Interim Financial Report

31 December 2008

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DIRECTORS' REPORT

Your directors submit the financial report of the company for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Mathew Walker	Chairman
Garry Ralston	Non-Executive Director
Russell Lynton-Brown	Non-Executive Director (Appointed 21 November 2008)
Michael Shields	Non-Executive Director (Resigned 21 November 2008)

Operating Result

The loss of the Company for the half-year after income tax was $121,469 (31 December 2007: $1,583,590).

Review of Operations

CHRISTMAS BORE PROJECT (Fortuna earning 75%)

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.

Interpretation of the aeromagnetic data in conjunction with other geophysical data sets and open file historical exploration data is proposed going forward. It is anticipated that evaluation of the reprocessed datasets will assist in the identification of new target areas that may warrant follow up exploration.

Significant Events

On 10 July 2008 the Company announced it had appointed Security Transfer Registrars Pty Ltd to act as its share registry from 14 July 2008 with Computershare Investor Services ceasing to act for the company on 11 July 2008.

On 26 September 2008 the Company issued 1,180,000 shares at an issue price of 5 cents to raise $59,000 before costs.

On 17 November 2008 the Company issued 383,214 shares at 5 cents to raise $19,161 before costs.

On 21 November 2008 Mr Michael Shields resigned as a Non-Executive Director and Mr Russell Lynton-Brown was appointed to this position.

On 3 December 2008 the Company announced the appointment of Mr James Robinson as Company Secretary with Mr Mathew Walker resigning from this role to concentrate on his duties as Chairman.

Corporate and Cash at Bank

The Company placed a total of 1,563,214 shares at 5 cents to raise a total of $78,161 before costs on during the half year.

The Company had 11,984,642 fully paid ordinary shares and 1,001,000 listed company Options (exercisable at 20 cents on or before 18 December 2010) on issue at the end of the half. Also there were 10,277,500 unlisted options on issue (exercisable at various prices on various dates).

Cash and Cash equivalents held by the Company at the end of the half was approximately $4,700.

Events Subsequent to the End of the Half Year

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.

DIRECTORS' REPORT (continued)

Subsequent to the end of the half year, 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. A comprehensive summary of historical work programs is detailed in the ASX release of 14 January 2009.

On 15 January 2009 the Company issued 300,000 shares at an issue price of 5 cents to raise $15,000 before costs.

On 29 January 2009 the Company issued 100,000 shares at an issue price of 5 cents to raise $5,000 before costs.

On 11 February 2009 the Company issued 950,000 shares at an issue price of 5 cents to raise $47,500 before costs.

On 20 March 2009 the Company held a General Meeting of Shareholders. All resolutions put to the meeting as outlined in the Notice of Meeting dated 12 February 2009 were passed.

On 23 April 2009 the Company issued 1,333,320 shares at an issue price of 5 cents to raise $66,666 before costs.

On 12 May 2009 the Company issued 3,050,000 shares at an issue price of 10 cents to raise $305,000 before costs.

On 11 June 2009 the Company issued 2,000,000 shares at an issue price of 10 cents to raise $200,000 before costs.

Other Activities and Company Strategy

The Company continues to focus on the exploration of its projects with the aim of finding and developing world class deposits. The Company continues to monitor resource exploration opportunities both locally and internationally.

Auditor's Independence Declaration

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 review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

Mathew Walker

Director

12 June 2009

HLB Mann Judd
Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Fortuna Minerals Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fortuna Minerals Limited.

Perth, Western Australia
12 June 2009

N G NEILL
Partner, HLB Mann Judd

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

	Notes	2008 $	2007 $
Continuing operations			
Interest Revenue		11	5,884
Other income		41,471	-
Employee benefits expense		(46,889)	(113,433)
Finance costs		-	(1,800)
Audit Fees		(6,500)	(15,418)
Consulting Fees		-	(57,501)
Professional Costs		(8,863)	(76,609)
Legal Fees		(38,129)	(21,311)
Marketing		-	(4,447)
Rent		(24,000)	(17,853)
Other expenses		(38,570)	(70,606)
Loss before income tax expense	2	**(121,469)**	**(373,094)**
Income tax expense		-	-
Loss after tax from continuing operations		**(121,469)**	**(373,094)**
Loss after tax from discontinued operation		**-**	**(1,210,496)**
Loss attributable to members of the parent entity		**(121,469)**	**(1,583,590)**
Basic loss per share (cents per share)		(1.091)	(3.33)
Basic loss per share from continuing operations (cents per share)		(1.091)	(0.78)

The accompanying notes form part of these financial statements

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	31 Dec 2008 $	30 June 2008 $
Assets			
Current Assets			
Cash and cash equivalents		4,703	135,506
Trade and other receivables		15,860	-
Other assets		6,944	10,919
Total Current Assets		27,507	146,425
Non-Current Assets			
Exploration and evaluation expenditure	3	16,891	-
Total Non-Current Assets		16,891	-
Total Assets		44,398	146,425
Liabilities			
Current Liabilities			
Trade and other payables		142,305	201,024
Total Current Liabilities		142,305	201,024
Total Liabilities		142,305	201,024
Net Liabilities		(97,907)	(54,599)
Equity			
Issued capital	4	5,783,883	5,705,722
Reserves		1,118,075	1,118,075
Retained earnings		(6,999,865)	(6,878,396)
Net Deficiency		(97,907)	(54,599)

The accompanying notes form part of these financial statements

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

	Issued Share Capital	Accumulated Losses	Option Reserve	Total
	$	$	$	$
Balance at 1 July 2007	3,902,860	(3,803,862)	214,715	313,173
Loss attributable to members of the parent entity	-	(1,583,590)	-	(1,583,590)
Shares issued pursuant to prospectus	37,500	-	-	37,500
Shares issued pursuant to IPO	2,002,000	-	-	2,002,000
Share Options issued	-	-	3,000	3,000
Transaction Costs	(236,638)	-	-	(236,638)
Balance at 31 December 2007	5,705,722	(5,387,452)	217,175	535,445
Balance at 1 July 2008	5,705,722	(6,878,396)	1,118,075	(54,599)
Loss attributable to members of the parent entity	-	(121,469)	-	(121,469)
Shares issued	78,161	-	-	78,161
Balance at 31 December 2008	5,783,883	(6,999,865)	1,118,075	(97,907)

The accompanying notes form part of these financial statements.

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

	2008 $	2007 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(192,084)	(1,357,322)
Finance costs	-	(9,445)
Interest received	11	14,740
Net cash used in operating activities	**(192,073)**	**(1,352,027)**
Net cash used in operating activities – Continuing Operations	(192,073)	(338,475)
Net cash provided by/(used in) operating activities – Discontinued Operations	-	(1,013,552)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(3,380)
Payments for exploration and evaluation expenditure	(16,891)	(25,000)
Net cash used in investing activities	**(16,891)**	**(28,380)**
Net cash used in investing activities – Continuing Operations	(16,891)	(25,000)
Net cash used in investing activities – Discontinued Operation	-	(3,380)
Cash flows from financing activities		
Proceeds from issue of shares	78,161	1,802,863
Repayment of borrowings	-	(75,000)
Net cash provided by financing activities	**78,161**	**1,727,863**
Net cash provided by financing activities – Continuing Operations	78,161	652,863
Net cash provided by financing activities – Discontinued Operations	-	1,075,000
Net (decrease) / increase in cash held	(130,803)	347,456
Cash and cash equivalents at the beginning of the period	135,506	556,407
Cash and cash equivalents at the end of the period	**4,703**	**903,863**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Fortuna Minerals Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2008.

Going concern

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. This is primarily due to a deficiency of working capital and a net deficiency of assets.

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:

- Subsequent to 31 December 2008, the Company raised additional capital of $134,166 via the issue of 2,683,320 ordinary shares at $0.05 per share and $505,000 via the issue of 5,050,000 ordinary shares at $0.10 to provide additional working capital to meet current accounts payable.
- 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. Directors are currently negotiating with various parties with respect to 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 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 raise sufficient equity to carry out its objectives, there is significant uncertainty as to whether the Company will continue as a going concern and therefore whether it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial report does not include adjustments relating to the recoverability or reclassification of recorded asset amounts or to the amounts or classification of liabilities, which might be necessary should the Company not to able to continue as a going concern and meet its debts as and when the fall due.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2008, 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 annual reporting periods beginning on or after 1 July 2008.

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.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	31 December 2008 $	31 December 2007 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Other income (Input tax (GST) refunds – GST receivable written off in prior period)	41,471	-
Employee benefits	46,889	113,433
Rent	24,000	17,853
Legal fees	38,129	21,311
Exploration expenditure expensed	11,592	-

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2008 $	30 June 2008 $
Exploration and evaluation expenditure – at cost		
Expenditure incurred - Christmas Bore Project	16,891	-

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 4: ISSUED CAPITAL

	31 December 2008 $	30 June 2008 $
Ordinary shares		
Issued and fully paid	5,783,883	5,705,722

	No. (thousands)	$
Movements in ordinary shares on issue		
At 1 July 2008	10,421,428	5,705,722
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
At 31 December 2008	11,984,642	5,783,883

NOTE 5: OPTIONS

	Number
Movements in options over ordinary shares on issue	
At 1 July 2008	11,273,500
At 31 December 2008	11,273,500

NOTE 6: DIVIDENDS

The directors of the company have not declared an interim dividend.

NOTE 7: CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2008.

NOTE 8: SEGEMENT REPORTING

The company operates in one business and geographic segment in Australia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 9: DISCONTINUED OPERATIONS

On 3 December 2007, the Company announced its decision to dispose of its wholly owned subsidiary Portlandbet Pty Ltd, thereby discontinuing its operations in the consolidated group. Portlandbet Pty Ltd was sold on the 29 January 2008, subject to shareholder approval. This approval was subsequently received and the completion of the sale was announced to the ASX on 16 May 2008. The financial performance of the discontinued operation is as follows:

	31 December 2008 $	31 December 2007 $
Interest 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	-	(144,090)
Other expenses	-	(292,166)
Expenses	**-**	**(1,219,352)**
Loss before tax from discontinued operations	-	(1,210,496)
Loss from discontinued operations after tax	**-**	**(1,210,496)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

The net cash flows of the discontinuing subsidiary with have been incorporated into the statement of cash flows are as follows:

	31 December 2008	31 December 2007
	$	$
Net cash inflow/(outflow) from operating activities	-	(1,013,552)
Net cash inflow/(outflow) from investing activities	-	(3,380)
Net cash inflow/(outflow) from financing activities	-	1,075,000
Net cash increase in cash generated by the discontinuing subsidiary	-	58,068
Assets of Discontinued Operation		
Cash and cash equivalents	-	609,100
Trade and other receivables	-	12,286
Property, plant & equipment	-	48,669
Total assets of discontinued operation	**-**	**670,055**
Liabilities of Discontinued Operation		
Trade and other payables	-	363,106
Provisions	-	1,949
Total liabilities of discontinued operation	**-**	**365,055**
Net Assets of Discontinued Operation	**-**	**305,000**

On 29 January 2008 the Company advised they had entered into a binding Sale Agreement for the disposal, subject to shareholder approval, of its wholly owned gaming subsidiary Portlandbet Pty Ltd.

Consideration for the sale of Portlandbet Pty Ltd was $55,000 cash. In addition the purchaser was required to pay the Company the sum of $250,000, being an amount equivalent to the bond paid to the ACT Gaming and Racing Commission.

Pursuant to the terms of the Sale Agreement, the purchaser assumed all operating expenses and liabilities as at 29 January 2008.

Completion of the sale was announced to the ASX on 16 May 2008.

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

Capital Raisings

After the reporting date, the Company has raised $134,166 of equity capital via an issue of ordinary shares at $0.05 and $505,000 of equity via the issue of ordinary shares at $0.10. The funds raised will be used to meet the ongoing working capital requirements of the Company.

Option to Acquire the Seluma Iron Sands Project (Sumatra, Indonesia)

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.

Subsequent to the end of the half year, 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. A comprehensive summary of historical work programs is detailed in the ASX release of 14 January 2009.

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 4 to 12, are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

   b. giving a true and fair view of the entity's financial position as at 31 December 2008 and of its performance for the half-year then ended.

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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

Mathew Walker

Director

12 June 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of
FORTUNA MINERALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration of Fortuna Minerals Limited ("company").

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Fortuna Minerals Limited on 12 June 2009.

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

Conclusion

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

(a) giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 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, 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 financial report.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
12 June 2009

N G NEILL
Partner