

**CORTONA RESOURCES LIMITED**  
**ABN 98 117 848 790**  
**AND CONTROLLED ENTITIES**

Consolidated Financial Report  
For the Half-Year Ended  
31 December 2008

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**DIRECTORS**

Non-Executive Chairman  
Clive Jones

Managing Director  
Peter van der Borgh

Non-Executive Directors  
George Lazarou  
Derek Fisher

**COMPANY SECRETARY**

Amanda Wilton-Heald

**REGISTERED OFFICE**

Ground Floor, 22 Oxford Close  
WEST LEEDERVILLE WA 6007  
Telephone: (08) 6380 1093  
Facsimile: (08) 6380 1387

**AUDITORS**

Mack & Co  
Level 2, 35 Havelock Street  
WEST PERTH WA 6005

**SHARE REGISTRAR**

Security Transfer Registrars Pty Ltd  
Level 1, 770 Canning Highway  
APPLECROSS WA 6153

**STOCK EXCHANGE LISTING**

Australian Stock Exchange  
(Home Exchange: Perth, Western Australia)  
Code: CRC

## **DIRECTORS' REPORT**

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Your directors submit the financial report of the Economic Entity for the half-year ended 31 December 2008.

### **DIRECTORS**

The names of Directors who held office during or since the end of the half year:

Clive Jones  
Peter van der Borgh  
George Lazarou  
Derek Fisher

### **RESULTS**

The loss after tax for the half year ended 31 December 2008 was \$857,618 (2007: \$468,966).

### **REVIEW OF OPERATIONS**

#### **Exploration Activities**

Cortona Resources Limited ("Cortona") reported several material outcomes from its activities in both New South Wales and Western Australia.

A successful drilling campaign at Majors Creek in NSW resulted in the Dargues Reef gold resource estimate being upgraded to 1.44Mt at a grade of 6.2g/t of indicated and inferred resources for a total of 286,000 ounces.

Additional mineralisation has since been discovered at Plums lode, 250m east of Main lode on the Dargues structure. Mineralisation has been intercepted within 25m of the surface, and the deepest intersection to date is at ~200m vertical depth, suggesting the Plums has the potential to significantly add to the Dargues resource base.

Scoping studies are underway into the economic mining potential of the resource. Thus far, metallurgical test work has been highly encouraging, with 98% recoveries being reported from the laboratory. Mining and processing options are under review, whilst baseline data is being collected for environmental and social impact studies that will ensue.

Cortona has undertaken a range of activities with respect to Community Relations and the environment, including a tree planting program to act as a visual/sound buffer to a future operation, a community meeting held at Majors Creek, and a weed control program. Rehabilitation of the Company's NSW drilling activities is at an advanced stage.

In Western Australia, Cortona entered into an off take agreement with Barrick Kanowna Limited, a wholly owned subsidiary of the world's largest gold producer, **Barrick Gold Corp**, to mine the Company's Wombola gold resources at North Monger, 45km south east of Kalgoorlie in Western Australia.

The Agreement is subject to due diligence, which was recently extended by two months to 31 March 2009 to enable Barrick to complete a full feasibility study. The period within which mining is required to commence remains unchanged at 31 January 2010. A decision to mine by 31 March 2009 will trigger a A\$250,000 down payment to Cortona.

Under the agreement Cortona stands to earn a free-carried income stream with significant exposure to the price of gold. Details are available on the Company's website.

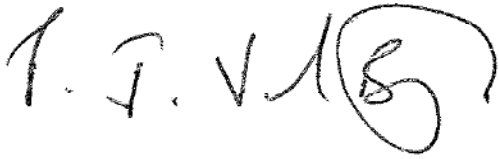
### **EVENTS SUBSEQUENT TO REPORTING DATE**

No matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'P. J. V. B.', with a large, stylized flourish at the end. The signature is positioned to the left of a vertical blue line.

Peter van der Borgh  
Managing Director

Dated this 13<sup>th</sup> day of March 2009

**AUDITORS INDEPENDENCE DECLARATION**

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**Auditors Independence Declaration  
Under Section 307C of the Corporations Act 2001  
To the Directors of Cortona Resources Limited**

I declare that to the best of my knowledge and belief, during the half year ended 31 December 2008 there have been:

- a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

*Mack & Co*

Mack & Co  
Chartered Accountants  
2<sup>nd</sup> Floor, 35 Havelock Street  
WEST PERTH WA 6005



N A Calder  
Partner

Date: *MARCH 13 2009*

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

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		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	108,825	291,222
Employee benefits expense		(151,050)	(141,871)
Directors fees		(130,200)	(142,993)
Depreciation expense		(24,106)	(30,378)
Compliance and regulatory expenses		(64,637)	(99,268)
Borrowing costs expense		(87)	(11,769)
Administration expenses		(182,019)	(106,240)
Consultancy costs		(555)	(48,004)
Occupancy costs		(12,380)	(25,098)
Insurance expenses		(15,321)	(13,267)
Travel and accommodation		(37,910)	(36,016)
Provision for diminution of investments		(20,500)	(47,500)
Write off of exploration expenditure	3	(327,678)	(57,784)
<b>Loss before income tax expense</b>		<b>(857,618)</b>	<b>(468,966)</b>
Income tax expense		-	-
<b>Net loss attributable to members of Cortona Resources Ltd</b>		<b>(857,618)</b>	<b>(468,966)</b>
Basic loss per share (cents per share)		(0.94)	(0.63)
Diluted loss per share (cents per share)		(0.94)	(0.63)

The accompanying notes form part of this financial report.

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2008**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2008</b>	<b>30 June 2008</b>
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,475,214	4,553,445
Trade and other receivables		104,551	132,613
Other assets		18,850	28,778
<b>TOTAL CURRENT ASSETS</b>		<b>2,598,615</b>	<b>4,714,836</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		43,762	62,969
Property, plant and equipment		1,906,165	1,922,253
Financial assets at fair value through profit and loss		15,000	35,500
Other financial assets		-	-
Exploration and evaluation expenditure	3	16,504,576	15,299,908
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,469,503</b>	<b>17,320,630</b>
<b>TOTAL ASSETS</b>		<b>21,068,118</b>	<b>22,035,466</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		350,062	478,928
Provisions		66,219	47,923
<b>TOTAL CURRENT LIABILITIES</b>		<b>416,281</b>	<b>526,851</b>
<b>TOTAL LIABILITIES</b>		<b>416,281</b>	<b>526,851</b>
<b>NET ASSETS</b>		<b>20,651,837</b>	<b>21,508,615</b>
<b>EQUITY</b>			
Issued Capital	4	22,081,409	22,081,409
Reserves	5	1,373,590	1,373,590
Accumulated losses		(2,803,162)	(1,946,384)
<b>TOTAL EQUITY</b>		<b>20,651,837</b>	<b>21,508,615</b>

The accompanying notes form part of this financial report.

**CONSOLIDATED CASHFLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

Note	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(617,755)	(540,835)
Interest and bill discounts received	108,915	174,386
Interest paid	(87)	-
Receipts from bonds and long term deposits	19,207	-
Payments for bonds and long term deposits	-	(63,106)
<b>Net cash (used in) operating activities</b>	<b>(489,720)</b>	<b>(429,555)</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(8,018)	(15,513)
Payments for exploration and evaluation	(1,580,493)	(1,426,864)
Cash payment for subsidiary net of assets acquired	-	(5,000,000)
<b>Net cash (used in) investing activities</b>	<b>(1,588,511)</b>	<b>(6,442,377)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	4,348,803
Payments for costs of issue of shares	-	(512,625)
<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>3,836,178</b>
Net decrease in cash held	(2,078,231)	(3,035,754)
Cash and cash equivalents at beginning of period	4,553,445	8,029,205
<b>Cash and cash equivalents at end of reporting period</b>	<b>2,475,214</b>	<b>4,993,451</b>

The accompanying notes form part of this financial report.

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

	Issued Capital	Accumulated Losses	Option Premium Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	22,081,409	(1,946,384)	1,373,590	21,508,615
Adjustment to opening accumulated losses	-	840	-	840
Loss attributable to members	-	(857,618)	-	(857,618)
<b>Balance at 31 December 2008</b>	<b>22,081,409</b>	<b>(2,803,162)</b>	<b>1,373,590</b>	<b>(20,651,837)</b>
<b>Balance at 1 July 2007</b>	3,881,617	(836,168)	278,384	3,323,823
Shares issued during the year	14,949,220	-	-	14,949,220
Employee equity settled transactions	-	-	1,133,644	1,133,644
Loss attributable to members	-	(468,966)	-	(468,966)
<b>Balance at 31 December 2007</b>	<b>18,830,837</b>	<b>(1,305,134)</b>	<b>1,412,028</b>	<b>18,973,731</b>

The accompanying notes form part of these financial statements.

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

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**1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT**

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Cortona Resources Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the 30 June 2008 financial report.

The half year report does not include full disclosures of the type normally included in an annual financial report.

*Reporting Basis and Conventions*

The half year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

*Going Concern*

The accounts have been prepared on the basis that the entity can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

The ability of the company to continue as a going concern is dependent upon the company being able to raise funding for future activities. The Directors consider that there are reasonable grounds to believe that the company will continue to raise equity to meet its short to medium term funding requirements.

*Exploration and Evaluation Expenditure*

The recoverability of the carrying amount of the exploration and development assets is dependent on the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

<b>Consolidated</b>	
<b>31 December 2008</b>	<b>31 December 2007</b>
\$	\$

**2. LOSS BEFORE INCOME TAX EXPENSE**

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

Interest revenue	108,825	189,872
Proceeds from sale of tenements	-	100,000
Other income	-	1,350
	<b>108,825</b>	<b>291,222</b>

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

**Consolidated**  
**31 December 2008**                      **30 June 2008**  
\$    \$

**3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

Costs carried forward in respect of areas of interest in the following phases:

**Exploration and evaluation phase - at cost**

Balance at beginning of period	15,299,908	2,063,229
Acquisition costs of subsidiary / tenements	-	10,430,618
Expenditure incurred	1,532,346	3,063,800
Expenditure written off	(327,678)	(257,739)
Balance at end of period	<u><b>16,504,576</b></u>	<u><b>15,299,908</b></u>

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.

**4. ISSUED CAPITAL**

(a) Fully paid ordinary shares	21,936,684	21,936,684
(b) Options	144,725	144,725
	<u><b>22,081,409</b></u>	<u><b>22,081,409</b></u>

**(a) Movements in fully paid ordinary shares on issue**

At 1 July 2008	21,936,684	21,936,684
Movement during the period	-	-
At 31 December 2008	<u><b>21,936,684</b></u>	<u><b>21,936,684</b></u>

**(b) Movements in options on issue**

At 1 July 2008	144,725	144,725
Options issued to employees for Nil consideration	-	-
At 31 December 2008	<u><b>144,725</b></u>	<u><b>144,725</b></u>

**5. RESERVES**

Balance at beginning of period	1,373,590	278,384
Equity settled transactions	-	39,044
Big Island Mining acquisition option valuation	-	913,600
Big Island Mining royalty option valuation	-	181,000
Recognition of options exercised	-	(38,438)
Option Reserves	<u><b>1,373,590</b></u>	<u><b>1,373,590</b></u>

**6. SUBSEQUENT EVENTS**

No matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

**7. CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual reporting date.

**8. COMMITMENTS**

**Exploration commitments**

In order to maintain current rights of tenure to mining tenements, the economic entity has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	<b>Consolidated</b>	
	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
No later than 6 months	214,425	542,387
Between 6 and 12 months	266,517	542,387
Between 12 and 18 months	340,775	542,387
	<b>821,717</b>	<b>1,627,161</b>

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

**9. SEGMENTAL REPORTING**

The Company operates predominantly in one geographical and segment, being Australia, and in one business segment, mineral mining and exploration and substantially all of the entity's resources are deployed for this purpose.

**10. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends were paid during the half year. No recommendation for payment of dividends has been made.

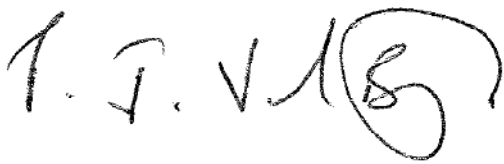
## **DIRECTORS' DECLARATION**

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The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 11:
  - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give 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.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'P. J. V. B.', with a large, stylized flourish at the end. A vertical line is drawn to the right of the signature.

Peter van der Borgh  
Managing Director

PERTH  
Dated this 13<sup>th</sup> day of March 2009

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF CORTONA RESOURCES LIMITED**

**Report on the Half year Financial Report**

We have reviewed the half year financial report of Cortona Resources Limited (company) and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from the time during the half year.

*Director's 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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control 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. Our review has been conducted in accordance with Auditing Standards on *Review Engagements ASRE 2410 Review on an Interim Financial Report 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 consolidated entity'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*, the *Corporation Regulations 2001*, and other mandatory financial reporting requirements in Australia. As the auditor of Cortona Resources Limited and Controlled Entities, 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*.


*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 Cortona Resources Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- A. giving a true and fair view of the consolidated entity'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 *Corporations Regulations 2001*.

*Mack & Co*

Mack & Co  
Chartered Accountants  
2<sup>nd</sup> Floor, 35 Havelock Street  
WEST PERTH WA 6005

  
N A Calder  
Partner

Date: *MARCH 13 2009*