



catalyst
METALS LTD

ABN 54 118 912 495

ANNUAL REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 30 JUNE 2006

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CORPORATE DIRECTORY

DIRECTORS

Howard Dawson (Chairman)
Jim Malone (Non-Executive Director)
Mark Thompson (Executive Director)

AUDITORS

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

COMPANY SECRETARIES

Bryan Dixon
Lisa Wynne

SHARE REGISTRY

Security Transfer Registrars
770 Canning Hwy
Applecross WA 6153
Telephone: +618 9315 2333
Facsimile: +618 9315 2233

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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Perth, Western Australia 6000
Phone: +618 9415 1714
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Email: info@catalystmetals.com
Website: www.catalystmetals.com

STOCK EXCHANGE LISTING

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

CHAIRMAN'S REPORT

Dear Shareholder,

Pursuant to Section 292 of the Corporations Act 2001 the following documents form part of the annual report for Catalyst Metals Limited ("Catalyst") for the period ending 30 June 2006.

Catalyst listed on the Australian Stock Exchange on 26 July 2006 after a highly successful capital raising of \$3,200,000 which was oversubscribed.

For the period under review in this report Catalyst was a public unlisted company whose focus during the period had been the acquisition, through an option agreement, of the Minnie Creek project. Full details of the Minnie Creek project area, and, in particular the Minnie Springs molybdenum discovery which is the initial target of exploration within the project, are contained within the Catalyst prospectus which was prepared to undertake the \$3,200,000 capital raising.

Catalyst looks forward to an exciting year of exploration and on behalf of my fellow directors, Jim Malone and Mark Thompson, I would like to thank all shareholders for their support to date and look forward to reporting the results of our exploration over the coming year.

Yours sincerely,

Howard Dawson
Chairman
24 October 2006

DIRECTORS' REPORT

The Directors present their report on Catalyst Metals Limited for the period ended 30 June 2006.

BOARD OF DIRECTORS

The names and details of the Catalyst Metals Ltd ("Company") directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Howard Dawson *(Non-Executive Chairman)*

Mr Dawson was appointed to the Board in March 2006. Mr Dawson had a 11 year career as a geologist before entering the securities industry as a research analyst in 1987. Over the subsequent 16 years he fulfilled a number of complimentary roles within the securities industry including research, corporate advisory, business development and management for firms including Hartley Poynton, McIntosh Securities, Merrill Lynch and ABN AMRO Morgan Limited.

Mr Dawson brings to the Board of Catalyst Metals technical, financial and corporate skills that will be used to assist the Company in the evaluation of the Minnie Creek project as well as additional resource projects as the company develops.

Responsibilities: Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. Mr Dawson also has responsibilities for capital raising, risk identification and independent technical and financial review of projects.

Qualifications: Bachelor of Science (Geology)
Assoc. Securities Institute of Australia

Directorships: Discovery Capital Limited - Executive Chairman
Lunalite International Limited - Non Executive Director
Uranium King Limited – Non Executive Chairman
Latin Gold Limited – Non-Executive Director

Past directorships: Comet Resources Limited
Bounty Industries Limited

Jim Malone *(Non-Executive Director)*

Mr Malone was appointed to the Board in March 2006. Mr Malone has worked successfully as an accountant, stockbroker, business analyst and CEO of a medium sized business for the past 18 years. Mr. Malone had worked for Arthur Anderson accountants, Hartley Poynton stockbrokers, CSFB and Lehman Brothers merchant banks in London and for the West Coast Eagles and Richmond Football Clubs, the latter as CEO from 1994 to 2000.

Responsibilities: Ongoing business development, all capital raisings, investor relations, ASX liaison, risk identification, corporate governance and financial management of the Company. Mr Malone is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

Qualifications: Mr Malone has a Bachelor of Commerce degree from the University of Western Australia and is an Associate of the Australian Society of CPA's.

Directorships: Livingstone Petroleum Limited - Non Executive Chairman
Latin Gold Limited – Managing Director
Uranium King Limited – Non Executive Director
Discovery Capital Limited - Non Executive Director

DIRECTORS' REPORT

Mark Thompson (*Executive Director – Appointed 22 May 2006*)

Mr Thompson has worked extensively throughout Africa, USA, South America and Australia on mineral exploration, resource development and palaeontologic projects since 1989. Mr Thompson has worked for companies including Western Mining Corp, Equatorial Mining Ltd, Panorama Resources Ltd and Centenary International Mining Ltd. He has successfully vendored the lead properties for other companies such as Image Resources NL and Meteoric Resources Ltd. Prior to returning to full time exploration in 2005, Mr Thompson was based in America to help explore and develop palaeontology resources in Montana and Wyoming. Mr Thompson is a member of the Society of Vertebrate Palaeontology, the National Speakers Association of Australia and an Editorial Board member/author of the Encyclopaedia of Anthropology. He brings to Catalyst a strong technical as well as practical experience in the exploration for mineral deposits.

Responsibilities: Mr Thompson's role encompasses the management of all mineral exploration, identification and operational functions of the company. His responsibilities also include health, safety and environment management.

Directorships: None

Bryan Dixon (*Non-Executive Director - Appointed 7 March 2006, Resigned 22 May 2006*) (*Company Secretary- Appointed 7 March 2006*)

Bryan has 12 years experience in the finance and the administration of public and listed companies and has previously been employed by KPMG, Resolute Limited and Société Générale. Bryan specialises in the administration and compliance of emerging ASX and AIM listed resource companies. Bryan brings additional financial, corporate, legal, investment analysis and taxation skills to the Company.

Qualifications: Bachelor of Commerce from the University of Western Australia
Chartered Accountant
Graduate Diploma in Company Secretarial Practice

Directorships: Hodges Resources Ltd – Non Executive Director
Blackham Resources Ltd – Managing Director

Lisa Wynne (*Company Secretary – Appointed 11 October 2006*)

Lisa is a Chartered Accountant with 6 years experience working with listed entities in senior financial roles responsible for management and financial reporting, taxation, and ensuring continuous disclosure and compliance. Lisa presently works with a number of emerging ASX and AIM listed resource companies and specialises in financial and company secretarial transaction and corporate work.

Qualifications: Bachelor of Commerce from Edith Cowan University
Chartered Accountant
Currently studying Graduate Diploma in Applied Corporate Governance

Directorships: None

CORPORATE STRUCTURE

Catalyst Metals Ltd is a company limited by shares that is incorporated and domiciled in Australia. Catalyst Metals Ltd had no controlled entities during the financial period.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was exploration of its Minnie Creek Molybdenum project north east of Carnarvon in Western Australia.

Catalyst successful listed on the ASX on the 26 July 2006 raising \$3.2 million before capital raising costs.

EMPLOYEES

The Company employed 3 employees as at 30 June 2006.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Catalyst Metals Limited was incorporated on 21 March 2006 for the purpose of acquiring and exploring the Minnie Springs Molybdenum prospect.

On 27 March 2006 the Company raised \$5,000 through the issue of 5 million ordinary shares to the promoters of the Company. Additional capital of \$8,000 was raised on 7 April 2006 through the issue of 8 million incentive shares. On 10 May 2006 the Company raised \$160,000 in seed capital through the issue of 2 million ordinary shares.

The Company was admitted to the Official List of the ASX during July 2006 following the closure of an initial public offer of 16 million shares to raise \$3,200,000.

A more detailed review of the Company's operations during the financial period is set out in the Chairman's Report.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the period ended 30 June 2006 was \$47,310.

The Company's basic loss per share for the period was 3 cents

No dividend has been paid during or is recommended for the financial period ended 30 June 2006.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial period not otherwise dealt with in this report and the financial statements.

FUTURE DEVELOPMENTS

Likely future developments in the operations of the Company are referred to in the Chairman's Report. Other than as referred to in this report, further information as to likely developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Company and its shareholders.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2006, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years, other than:

On 14 July 2006, the Company exercised its option over the Minnie Creek property acquiring a 90% interest by paying \$100,000 (before GST).

The Company was admitted to the Official List of the ASX on 26 July 2006 following the closure of an initial public offer of 16 million shares to raise \$3,200,000 before capital raising costs.

On 12 October the company lodged a short form prospectus with ASIC for a non renounceable entitlements issue of 1 new option for every 2 ordinary shares held by shareholders at an issue price of 1 cent per new option to raise \$115,000 before capital raising costs.

FINANCIAL POSITION

The Company's working capital, being current assets less current liabilities was \$125,690 at 30 June 2006.

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.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

	Board Meetings	
	Number held and entitled to attend	Number Attended
Howard Dawson	4	4
Jim Malone	4	4
Mark Thompson	1	1
Bryan Dixon	4	4

No meetings of the Audit Committee of the Company were held during the financial period.

ENVIRONMENTAL ISSUES

The Company's operations are subject to State and Federal laws and regulation concerning the environment. Details of the Company performance in relation to environmental regulation are as follows:

The Company's exploration activities are subject to the Western Australian Mining Act. The Company has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the financial period under review.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

SHARE OPTIONS

As at the date of this report, there were 1,050,000 unissued ordinary shares under option.

No person entitled to exercise any option referred to above have or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

DIRECTORS' REPORT

REMUNERATION REPORT

This report details the type and amount of remuneration for each director of Catalyst Metals Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and Motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Catalyst Metals Limited

The remuneration of an executive director will be decided by the Remuneration and Nomination Committee. In determining competitive remuneration rates the Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of Shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All equity based remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of options to directors in accordance with the Company's employee share option plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of directors/executives with that of the business and shareholders. In addition all directors and executives are encouraged to hold shares in the Company.

The Company has not paid bonuses to directors or executives to date.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to maximise the commonality of goals between shareholders and directors and executives. The method applied in achieving this aim to date being the issue of options to directors to encourage the alignment of personal and shareholder interests. The company believes this policy will be the most effective in increasing shareholder wealth.

Details of Remuneration for Period Ended 30 June 2006

The remuneration for each director and of the one executive officer of the Company during the period was as follows:

Directors and Executive Officers' Emoluments

No remuneration was paid to Directors or Executives during the financial period ended 30 June 2006.

DIRECTORS' REPORT

Performance Income as a Proportion of Total Remuneration

1,050,000 options were issued to Mark Thompson in July 2006 and will be first amortisation in the June 2007 financial year.

Employment Contracts of Directors and Senior Executives

There were no formal contracts finalised as at the completion of the June 2006 financial period for Non-executive Directors. Non-executive Directors are paid under the terms agreed to by a directors resolution at rates detailed below:

Mr Dawson will receive director's fees of \$40,000 per annum inclusive of superannuation requirements.

Mr Malone will receive director's fees of \$30,000 per annum inclusive of superannuation requirements.

Mr Thompson has an employment agreement in place whereby he receives up to \$60,000 per annum fully inclusive of superannuation requirements. Lateral Minerals Pty Ltd, a related party of Mr Thompson, is engaged by the Company and receives \$3,800 per month for the provision of exploration and development services.

The Company Secretaries have a monthly agreement on ordinary commercial terms.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the ordinary shares and options of the Company are:

Directors	Ordinary Shares			Options			
	Balance at beginning of period	Purchased/(Sold)	Balance at end of period	Balance at beginning of period	Expired	Issued	Balance at end of period
H Dawson	-	1,040,000	1,040,000	-	-	-	-
J Malone	-	965,000	965,000	-	-	-	-
M Thompson	-	1,090,000	1,090,000	-	-	1,050,000	1,050,000
B Dixon (resigned 22 May 2006)	-	-	-	-	-	-	-

As at the date of this report, the interests of the Directors in the Incentive shares of the Company are:

Directors	Class A Incentive Shares			Class B Incentive Shares		
	Balance at beginning of period	Purchased/(Sold)	Balance at end of period	Balance at beginning of period	Purchased/(Sold)	Balance at end of period
H Dawson	-	600,000	600,000	-	600,000	600,000
J Malone	-	900,000	900,000	-	900,000	900,000
M Thompson	-	1,000,000	1,000,000	-	1,000,000	1,000,000
B Dixon (resigned 22 May 2006)	-	-	-	-	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

There are no insurance policies in place for Directors and Officers insurance. The Directors and Officers have indemnities in place with the Company.

DIRECTORS' REPORT

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the period is compatible with the general standard for audit independence imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid to the external auditors during the period:

- \$5,000 Investigating Accountants Report

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2006 has been received and immediately follows the Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Catalyst Metals support and have adhered to the principles of sound corporate governance.

The Board recognises the recent recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that Catalyst Metals is in compliance with those guidelines which are of critical importance to the commercial operation of a junior listed resources company. During the financial period, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's corporate governance statement and disclosures are contained in the annual report.

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

Howard Dawson
Chairman

Perth, Western Australia
24 October 2006

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
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www.rsmi.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO DIRECTORS OF
CATALYST METALS LIMITED**

I declare that to the best of my knowledge and belief, during the period ended 30 June 2006 there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

D J WALL
Partner

Perth, WA
Dated: 24 October 2006

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.



BALANCE SHEET
As at 30 June 2006

	Note	2006 \$
Current Assets		
Cash and cash equivalents	6	96,338
Trade and other receivables	7	8,850
Other current assets	8	53,468
Total Current Assets		<u>158,656</u>
Non-Current Assets		
Exploration and evaluation expenditure	9	-
Total Non-Current Assets		<u>-</u>
TOTAL ASSETS		<u>158,656</u>
Current Liabilities		
Trade and other payables	10	32,966
TOTAL LIABILITIES		<u>32,966</u>
NET ASSETS		<u>125,690</u>
Equity		
Contributed equity	11	173,000
Accumulated losses	12	(47,310)
TOTAL EQUITY		<u>125,690</u>

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

INCOME STATEMENT
For the Period Ended 30 June 2006

	Note	2006 \$
Revenue	2	1,009
Occupancy costs	3	(1,619)
Professional fees	3	(8,310)
Administration costs	3	(4,747)
Exploration costs	3	<u>(33,643)</u>
Loss before income tax expense		(47,310)
Income tax expense	5	<u>-</u>
Net loss attributable to members of Company		<u><u>(47,310)</u></u>
Basic loss per share (cents per share)	4	(3.0 cents)
Diluted loss per share (cents per share)	4	(1.4 cents)

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

STATEMENT OF CHANGES IN EQUITY
For the Period Ended 30 June 2006

	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
Balance on incorporation	-	-	-	-
Loss	-	(47,310)	-	(47,310)
Issue of shares	173,000	-	-	173,000
Balance at 30 June 2006	173,000	(47,310)	-	125,690

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the Period Ended 30 June 2006

	Note	2006 \$
Cash Flows from Operating Activities		
Payments for exploration and evaluation		(31,981)
Payments to suppliers, contractors and employees		(13,066)
Interest received		<u>1,009</u>
Net cash flows used in operating activities	13	<u>(44,038)</u>
Cash Flows from Financing Activities		
Proceeds from issue of shares		173,000
Pre-paid share issue expenses		<u>(32,624)</u>
Net cash flows from financing activities		<u>140,376</u>
Net increase cash and cash equivalents		96,338
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at the end of the financial period	6	<u>96,338</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Framework

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial report covers Catalyst Metals Limited, which at 30 June 2006 was an unlisted public company, incorporated and domiciled in Australia. Catalyst Metals was admitted to the official list of the Australian Stock Exchange subsequent to year end.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Statement of compliance

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006 because they do not require a change to accounting policies and therefore have no impact or they are not applicable to the Company.

(c) Revenue

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

(d) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is recognised for the amount by which the assets's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

(e) Cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and at call deposits with banks or financial institutions and investments in money market instruments with less than 30 days to maturity.

(f) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

(g) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in an area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The Company performs impairment testing when facts and circumstances suggest the carrying amount has been impaired. If it was determined that the asset was impaired it would be immediately written off to the income statement.

Expenditure is not carried forward in respect of any area of interest unless the Company's right of tenure to that area of interest is current. Expenditures incurred before the Company has obtained legal rights to explore a specific area is expensed as incurred. Amortisation is not charged on areas under development, pending commencement of production.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(j) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits, and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

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

(k) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(l) Equity based payments

The Company determines the fair value of options issued to employees as remuneration and recognises the expense in the income statement. This policy is not limited to options and also extends to other forms of equity based remuneration.

Fair value is measured using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

(m) Earnings per share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

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

(n) Goods and services tax (GST)

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Comparative amounts

This is the first financial report prepared by the Company which was incorporated in March 2006.

(p) Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Examples of those areas which require accounting estimates and judgments include carrying values of exploration expenditure and share-based payments.

NOTES TO THE FINANCIAL STATEMENTS
For The Period Ended 30 June 2006

		2006 \$
2. Revenue		
Interest received		<u>1,009</u>
3. Expenses		
Professional fees		3,310
Audit fees		5,000
Occupancy		1,619
Web site costs		2,400
Exploration costs written off (refer note 1(g))		<u>33,643</u>
4. Earnings per Share		2006 No. of Shares
Weighted average number of ordinary shares outstanding during the period used in calculation of earnings per share		<u>1,600,000</u>
Weighted average number of potential ordinary shares outstanding during the period used in calculation of diluted earnings per share		<u>3,463,014</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Period Ended 30 June 2006

	2006 \$
5. Income taxes	
(a) Income tax recognised in profit or loss	
Prima facie tax on operating loss before income tax at 30%	(14,193)
Add:	
Deferred tax asset not brought to account at balance date as realisation of the benefit is not probable.	<u>14,193</u>
Income tax attributable to operating loss	<u><u>-</u></u>

No income tax is payable by the Company. The Directors have considered it prudent not to bring to account the deferred tax asset of income tax losses and exploration deductions until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.

6. Cash and cash equivalents	
Cash at bank	<u>96,338</u>
7. Trade and other receivables	
Current Receivables	
Sundry debtors	8,850
Provision for doubtful debtors	<u>-</u>
	<u><u>8,850</u></u>
8. Other current assets	
Prepaid capital raising costs	<u><u>53,468</u></u>
9. Exploration and Evaluation Expenditure	
Written down value - opening	-
Exploration expenditure	33,642
Write downs (refer note 1(g))	<u>(33,642)</u>
Written down value - closing	<u><u>-</u></u>

Exploration expenditure relates to expenditures incurred before the Company obtained legal rights to explore a specific area. The Company exercised it's option to acquire a 90% interest in the Minnie Creek project area subsequent to year end.

10. Trade and other payables	
Current Payables	
Trade creditors	25,903
Accruals	5,000
Payments due to directors (see Note 14(g))	<u>2,063</u>
	<u><u>32,966</u></u>

Trade liabilities are non-interest bearing and normally settled on 30-day terms.

NOTES TO THE FINANCIAL STATEMENTS
For The Period Ended 30 June 2006

		2006 Number	2006 \$
11.	Contributed Equity		
	<i>Ordinary shares</i>		
	Fully paid	(a),(d) 7,000,000	165,000
	<i>Incentive shares</i>		
	Class A	(b),(e) 4,000,000	4,000
	Class B	(c),(e) 4,000,000	4,000
		<u>15,000,000</u>	<u>173,000</u>

(a) Movements in Ordinary Shares

Ordinary shares at beginning of period	-	-
Share placement at 0.1cent	5,000,000	5,000
Share placement at 8 cents	<u>2,000,000</u>	<u>160,000</u>
Ordinary shares at end of period	<u>7,000,000</u>	<u>165,000</u>

(b) Movements in Class A Incentive shares

Class A incentive shares at beginning of period	-	-
Share placement at 0.1 cent	<u>4,000,000</u>	<u>4,000</u>
Class A incentive shares at end of period	<u>4,000,000</u>	<u>4,000</u>

(c) Movements in Class B Incentive shares

Class B incentive shares at beginning of period	-	-
Share placement at 0.1 cent	<u>4,000,000</u>	<u>4,000</u>
Class B incentive shares at end of period	<u>4,000,000</u>	<u>4,000</u>

(d) Ordinary shares

On 27 March 2006 the Company raised \$5,000 through the issue of 5,000,000 ordinary shares at \$0.001 per share to the promoters of the Company.

On 10 May 2006 the Company raised \$160,000 in seed capital through the issue of 2,000,000 ordinary shares at an issue price of \$0.08 per share.

On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

11. Contributed Equity (contd)

(e) Incentive Shares

On 7 April 2006 the Company raised \$8,000 through the issue of 4,000,000 Class A incentive shares at \$0.001 per share and 4,000,000 Class B incentive shares at \$0.001 per share.

Class A Incentive Shares

- The Class A Incentive shares are a separate class of shares that will be convertible into ordinary shares. They do not carry any voting rights in the company or rights to participate in new issues (whether bonus or rights) in the Company.
- Each incentive share will convert into one ordinary share upon the earlier of:
 - (i) the volume weighted average price for 30 days of Catalyst Metals Limited ordinary shares exceeds \$0.50 or;
 - (ii) the Company directly or indirectly secures an asset with JORC measured, indicated and inferred resources exceeding 150,000 gold equivalent ounces;
 - (iii) a takeover bid becoming unconditional; entering into and the Court approving a solvent scheme of arrangement or reconstruction which as the effect of changing the control of the Company.
- If the above do not occur, within 3 years from the date the Company's ordinary shares are admitted to quotation of ASX, each 100,000 incentive shares will convert into one ordinary share (with any fractional entitlement being rounded up to the nearest whole full paid share).
- The incentive shares are unlisted but are transferable.

Class B Incentive Shares

- The Class B Incentive shares are a separate class of shares that will be convertible into ordinary shares. They do not carry any voting rights in the company or rights to participate in new issues (whether bonus or rights) in the Company.
- Each incentive share will convert into one ordinary share upon the earlier of:
 - (i) the volume weighted average price for 30 days of Catalyst Metals Limited ordinary shares exceeds \$0.75 or;
 - (ii) the Company directly or indirectly secures an asset with JORC measured, indicated and inferred resources exceeding 225,000 gold equivalent ounces;
 - (iii) a takeover bid becoming unconditional; entering into and the Court approving a solvent scheme of arrangement or reconstruction which as the effect of changing the control of the Company; and conditional on the Minnie Creek Project being the main focus of the Company at the time of the (i), (ii) and (iii) above.
- If the above do not occur, within 3 years from the date the Company's ordinary shares are admitted to quotation of ASX, each 100,000 incentive shares will convert into one ordinary share (with any fractional entitlement being rounded up to the nearest whole full paid share).
- The incentive shares are unlisted but are transferable.

NOTES TO THE FINANCIAL STATEMENTS
For The Period Ended 30 June 2006

	2006 \$
12. Accumulated Losses	
Balance at the beginning of this period	-
Loss for the period	<u>47,310</u>
Balance at the end of the period	<u><u>47,310</u></u>
13. Notes to the Cash Flow Statement	
<i>(a) Reconciliation of net cash used in operating activities to operating loss after income tax</i>	
Operating loss after tax	47,310
<i>Add non cash items:</i>	-
<i>Changes in net assets and liabilities</i>	
Increase in receivables	8,850
Increase in payables	(12,122)
	<u> </u>
Net cash outflow from operating activities	<u><u>44,038</u></u>
<i>(b) Non-cash financing and investing activities</i>	
None	
14. Key Management Personnel Compensation	
<i>(a) Directors and Specified Executives</i>	
The names and positions held by key management personnel in office at any time during the period are:	
Directors	
H Dawson	Non-Executive Chairman (Appointed 21 March 2006)
J Malone	Managing Director (Appointed 21 March 2006)
M Thompson	Executive Director (Appointed 22 May 2006)
B Dixon	Non-Executive Director (Appointed 21 March 2006, Resigned 22 May 2006)
Executives & Officers	
B Dixon	Company Secretary (Appointed 21 March 2006)

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

14. Director and Executive Disclosures (continued)

(b) Remuneration of Directors

No payments were made to Directors during the financial period.

(c) Remuneration of Executives and Officers

No payments were made to Executives and Officers during the financial period.

(d) Remuneration Options: Granted and Vested during the Period

No options were issued to Directors or Executives during the financial period.

(e) Option holdings of directors and officers

Nil

(f) Shareholdings of directors and officers

Ordinary Shares

The numbers of ordinary shares in the company held during the financial year by each director and other key management personnel of the Company, including their personally related parties, are set out below:

Directors	Ordinary Shares		
	Balance at beginning of period	Purchased/(Sold)	Balance at end of period
H Dawson	-	1,040,000	1,040,000
J Malone	-	915,000	915,000
M Thompson	-	1,000,000	1,000,000
B Dixon (resigned 22 May 2006)	-	935,000	935,000

Incentive shares

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

Directors	Class A Incentive Shares			Class B Incentive Shares		
	Balance at beginning of period	Purchased / (Sold)	Balance at end of period	Balance at beginning of period	Purchased / (Sold)	Balance at end of period
H Dawson	-	600,000	600,000	-	600,000	600,000
J Malone	-	900,000	900,000	-	900,000	900,000
M Thompson	-	1,000,000	1,000,000	-	1,000,000	1,000,000
B Dixon (resigned 22 May 2006)	-	762,500	762,500	-	762,500	762,500

(g) Directors payables

Amounts payable to Directors and Director related entities at the end of the financial year, included in current liabilities

2006
\$

2,063

NOTES TO THE FINANCIAL STATEMENTS For The Period Ended 30 June 2006

14. Director and Executive Disclosures (continued)

(h) *Remuneration Policy*

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and Motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Catalyst Metals Limited

The remuneration of an executive director will be decided by the Remuneration and Nomination Committee. In determining competitive remuneration rates the Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of Shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All equity based remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

Performance Based Remuneration

The issue of options to directors in accordance with the Company's employee share option plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of directors/executives with that of the business and shareholders. In addition all directors and executives are encouraged to hold shares in the Company.

The Company has not paid bonuses to directors or executives to date.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to maximise the commonality of goals between shareholders and directors and executives. The method applied in achieving this aim to date being the issue of options to directors to encourage the alignment of personal and shareholder interests. The company believes this policy will be the most effective in increasing shareholder wealth.

The following table shows the gross revenue, operating loss, net assets, number of mineral properties and share price at the end of the respective financial years.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

15. Related Party Disclosures

Key Management Personnel

Mr Thompson, is a related party of Lateral Minerals Pty Ltd. Catalyst Metals Limited has entered into a contract with Lateral Minerals Pty Ltd during the year for the provision of exploration and development services. Lateral Minerals Pty Ltd was not paid any fees under this contract during the period.

The Company owed \$2,063 at year end to Discovery Capital Ltd for the reimbursement of office and administration costs. Messers Dawson and Malone are directors of Discovery Capital Limited.

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

Red Dog Prospecting Pty Ltd, a company which Mr Thompson is both a director and shareholder, entered into an Option and Joint Venture Agreement with Catalyst on 25 May 2006. Red Dog granted Catalyst an option to purchase a 90% interest in Tenements E09/1187, E09/1174 and E09/1291 for a purchase price of \$100,000 (Option). Catalyst exercised the Option in July 2006. On the exercise of the Option by Catalyst, a joint venture was established between the parties (with Catalyst having a participating share of 90% and Red Dog having a participating share of 10%) for the purposes of prospecting, exploring and, if so decided by the parties, mining of marketable minerals and other commodities. Catalyst will be required to sole fund all exploration costs up to completion of a feasibility study. Catalyst will be Manager of the joint venture and, whilst it is solely funding exploration costs, it will have conduct of the joint venture operations as it sees fit.

16. Equity-based payments

The Company has entered into an Employee Share Option Plan that allows for share options to be granted to eligible employees and officers of the Company. The number of share options that can be issued under the plan cannot exceed 5% of the total number of shares on issue. The terms and conditions of the share option issued under the plan are at the discretion of the Board however, the maximum term of the share option is five years.

During the year Nil share options were granted to directors.

All options granted to directors and key management personnel are ordinary shares in Catalyst Metals Limited, which confer a right of one ordinary share for every option held

2006
\$

17. Auditors' Remuneration

Amounts received or due and receivable by the auditors for:

Auditing accounts	5,000
Other services	5,000
	<u>10,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

18. Commitments

There were no outstanding commitments, which are not disclosed in the financial statements as at 30 June 2006 other than:

(a) Remuneration Commitments

No later than 1 year	105,600
Later than 1 year but not later than 5 years	<u>105,600</u>
	<u>211,200</u>

(b) Tenement commitments

No later than 1 year	123,500
Later than 1 year but not later than 5 years	<u>-</u>
	<u>123,500</u>
	<u>334,700</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

19. Financial Instruments

	Notes	Floating Interest Rate \$	1 year or less \$	Over 1-5 years \$	Non interest bearing \$	Total \$
2006						
Financial assets						
Cash and cash equivalents	6	-	-	-	96,338	96,338
Trade and other receivables	7	-	-	-	8,850	8,850
Total financial assets			-	-	105,188	105,188
Financial liabilities						
Trade and other payables	10		-	-	32,966	32,966
Total financial liabilities			-	-	32,966	32,966
Net financial assets			-	-	72,222	72,222

Weighted average interest rate 5.35%

	2006 \$
Reconciliation of net financial assets to net assets	
Net Financial Assets	72,222
Prepayments	53,468
Net Assets	125,690

Interest rate risks

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Company does not have a formal policy in place to mitigate such risks.

Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet and notes to the financial statements. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Net fair value

The net fair value of all assets approximates their carrying value.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 30 June 2006

20. Segment Information

The Company operates in the one segment.

21. Subsequent Events

There has not been any matter or circumstance that has arisen since 30 June 2006, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years, other than:

On 14 July 2006, the Company exercised its option over the Minnie Creek property acquiring a 90% interest by paying \$100,000 (before GST).

The Company was admitted to the Official List of the ASX on 26 July 2006 following the closure of an initial public offer of 16 million shares to raise \$3,200,000 before capital raising costs.

On 12 October the company lodged a short form prospectus with ASIC for a non renounceable entitlements issue of 1 new option for every 2 ordinary shares held by shareholders at an issue price of 1 cent per new option to raise \$115,000 before capital raising costs.

22. Contingent Liabilities

The Company does not have any contingent liabilities.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the period ended on that date of the Company;
2. the Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Howard Dawson
Chairman

Dated at Perth this 24th day of October 2006

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion,

- (a) the financial report of Catalyst Metals Limited:
- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the company as at 30 June 2006 and of its performance for the period ended on that date; and
 - is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia and the Corporations Regulations 2001.
- (b) the remuneration disclosures that are contained on pages 8 to 9 of the directors' report comply with AASB 124 and the Corporations Regulations 2001.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



D J WALL
Partner

Perth, WA
Dated: 24 October 2006

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Catalyst Metals Limited is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of Catalyst Metals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

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

Board Objectives

The Board will develop strategies for the Company, review strategic objectives, and monitor the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities:

- developing initiatives for profit and assets growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully informed basis.

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.

Election of Board members is substantially the province of the Shareholders in general meeting. However, the Company commits to the following principles:

- the Board to comprise of Directors with a blend of skills, experience and attributes appropriate for the Company and its business;
- the principal criterion for the appointment of new Directors being their ability to add value to the Company and its business.

The Board has accepted the ASX Corporate Governance Councils definition of an Independent Director contained in their report titled "The Principles of Good Corporate Governance and Best Practice Recommendations – March 2003".

Given the size of the company and the industry in which it operates, the current Board structure is considered to best serve the Company in meeting its objectives, given its small capitalisation, limited resources and existing operations. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

There are procedures in place, as agreed by the board, to enable directors to seek independent professional advice on issues arising in the course of their duties at the company's expense.

CORPORATE GOVERNANCE STATEMENT

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

Name	Term in office
Howard Dawson	7 months
Jim Malone	7 months
Mark Thompson	5 months

Remuneration and Nomination Committee

The Board appointed a Remuneration and Nomination Committee which operates under a charter of the Board. Mr Malone and Mr Dawson are both members of the Remuneration and Nomination Committee.

Nomination Arrangements

Where a vacancy is considered to exist, the Committee will select an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments will be referred to shareholders for re-election at the next annual general meeting. All Directors, except the Managing Director, are subject to re-election by shareholders at least every three years.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will determine the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board will then appoint the most suitable candidate (assuming one is available) who must stand for election at the next annual general meeting.

Performance

During the reporting period the Company did not have a formal process for evaluation of Directors and Executives due to their only being three in total. The Chairman will undertake an annual assessment of the performance of the individual directors and meet privately with each director to discuss this assessment.

Remuneration Arrangements

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Catalyst Metals Limited

The remuneration of an executive director will be decided by the Remuneration and Nomination Committee. In determining competitive remuneration rates the Committee reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act 2001 as applicable. The appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director.

CORPORATE GOVERNANCE STATEMENT

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

Audit Committee

The shareholders in a general meeting are responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

The Board has established an audit committee in May 2006, which operates under a charter of the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non information. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control of the Company to the audit committee.

The members of the audit committee at the end of the period and date of this report were:

J Malone
H Dawson
B Dixon

Qualifications of audit committee members

Mr Malone has a bachelor of commerce and is an Associate of the Australian Society of CPA's. Mr Malone has worked successfully as an accountant, stockbroker, business analyst and CEO of a medium sized business for the past 19 years.

Mr Dawson brings to the Committee additional technical, financial and corporate skills. Mr Dawson has a Bachelor of Science (Geology) and is a Senior Fellow of FINSIA and MAIG.

Mr Dixon holds the office of Company Secretary. Mr Dixon has a degree in Commerce and is a Chartered Accountant who has extensive experience as an auditor in a big four firm. Mr Dixon is also a member of Chartered Secretaries Australia.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Identification and Management of Risk

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

CORPORATE GOVERNANCE STATEMENT

Ethical Standards

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices.

Corporate Governance Disclosures

During the financial year Catalyst Metals has complied with each of the 10 Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1 Structure of the Board	The majority of the Board are not independent directors	<p>The Board has determined that, consistent with the size of the Company and its activities, the Board shall be comprised of three Directors, two of whom, are non-executive.</p> <p>The Board recognises that best practice occurs when the Board comprises a majority of non-executive directors. The Board continues to strive to meet the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying with the ASX Corporate Governance Council Recommendation 2.1 "A majority of the Board should be independent directors" is impractical given the size of the company and the industry in which it operates. The Board instead aims to assess the independence of the Company's non-executive Director on an ongoing basis requiring full disclosure where conflicts of interests arise.</p>
2.2 The Chairperson should be an independent director	The chair, Mr Howard Dawson is not considered an independent director	<p>The Board refers to the criteria for independence as recommended by the ASX in considering independence of the Chairman.</p> <p>In the interests of disclosure, the Board notes that Mr Dawson is shareholder in the Company. Furthermore, the Board notes that Mr Howard is not an executive and as such, the Board considers that there is limited scope for Mr Dawson's personal interests to conflict with those of shareholders.</p> <p>The Board (subject to members' voting rights in general meeting) is responsible for selection of new members and succession planning, and has regard to a candidate's experience and competence in areas such as mining, exploration, geology, finance and administration. The wide commercial experience of Mr Dawson assists Catalyst Metals in meeting its corporate objectives and plans.</p>

CORPORATE GOVERNANCE STATEMENT

Best Practice Recommendation	Notification of Departure	of	Explanation of Departure
4.3 Structure of the Audit Committee	Audit Committee's Chairman is not independent	not	<p>The Board has established an audit committee in May 2006, which operates under a charter of the Board and consists of all Non-Executive Directors. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control of the Company to the audit committee.</p> <p>The Board recognises that best practice occurs when the Audit committee comprises of only non-executive directors; a majority of non-executive directors; an independent chairperson who is not a chair of the board and at least three members. The Board continues to strive to meet the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying with the ASX Corporate Governance Council Recommendation 4.3 is impractical given the size of the company and the industry in which it operates.</p>

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 12 October 2006.

DISTRIBUTION OF SHAREHOLDERS

	Fully Paid Ordinary Shares		
	No. of Holders	No. of Shares	% Of Issued Capital
1-1,000	1	1,000	0.00%
1,001 - 5,000	28	81,187	0.35%
5,001 - 10,000	83	812,580	3.53%
10,001 - 100,000	344	12,747,130	55.42%
100,001 and over	31	9,358,103	40.70%
	487	23,000,000	100%

HOLDERS OF NONMARKETABLE PARCELS

There are no fully paid ordinary shareholders who hold less than a marketable parcel of shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of ordinary shares are:

		Listed Ordinary Shares	
		Number of Shares Held	% Held
1	Lateral Minerals Pty Ltd <The Thompson Family Trust>	1,000,000	4.35%
2.	Dawson Howard G <HG & L Dawson Discretionary Trust>	990,000	4.30%
3.	J Marwick	935,000	4.07%
4.	Kilkenny Enterprises Pty Ltd	915,000	3.98%
5.	LGD Investments (WA) Pty Ltd	625,000	2.72%
6.	Sandy Louis Edwards	625,000	2.72%
7.	Reads IT Pty Ltd	437,500	1.90%
8.	Shoc Pty Ltd	375,000	1.63%
9.	Reija Pty Ltd	275,000	1.20%
10.	David John Sharp	255,000	1.11%
11.	George Marias	250,000	1.09%
12.	Scott Teasdale	187,500	0.82%
13.	Cocercan Pty Ltd	175,000	0.76%
14.	Boon Tock & Diana Lim	175,000	0.76%
15.	Comsec Nominees Pty Limited	168,860	0.73%
16.	Ronald Keith Guest & Alison Hunter Guest	150,000	0.65%
17.	Raphael Michael	150,000	0.65%
18.	Belton Lights Pty Ltd	150,000	0.65%
19.	Australian Executor Trustees Limited	150,000	0.65%
20.	Diamond River Pty Ltd	150,000	0.65%
		8,138,860	35.39%
Total ordinary shares quoted on ASX		<u>23,000,000</u>	

ASX ADDITIONAL INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS

The Company does not currently have any substantial shareholders.

VOTING RIGHTS

Ordinary Shares - On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has nil franking credits.

TENEMENT SCHEDULE

Project	Tenements	Interest
Eudamullah	E09/1174	90%
Minnie Creek	E09/1187	90%
Michelles Well	E09/1291	Pending
Bluebush Well	E09/1303	Pending