Mundo Minerals Ltd

ACN 117 790 897

Financial Report

for the half-year ended 31 December 2008

Corporate Directory

Directors
Barry Eldridge
Non-executive Chairman

John Langford
Managing Director

Michael Schmulian
Executive Director

Brian Hurley
Non-Executive Director

Robert McKenzie
Non-Executive Director

Company Secretaries

Joe Mobilia
Paul Mason

Share Registry
Security Transfer Registrars Pty Limited
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Legal Advisors
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ASX Code
MUN

Contents

Directors' Report

The directors of Mundo Minerals Limited submit herewith the financial report of Mundo Minerals Limited and its subsidiaries (the "Group") 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 the directors of the company in office during or since the end of the half-year are:

Barry Eldridge	*Non-executive Chairman*
John Langford	*Managing Director*
Michael Schmulian	*Executive Director*
Brian Hurley	*Non-executive Director*
Robert McKenzie	*Non-executive Director*

The above-named directors held office during and since the end of the half-year.

RESULTS

The consolidated loss of the group for the period amounted to $1.781 million (2007: loss of $1.469 million).

The Engenho gold project reported earnings before interest taxation depreciation and amortisation of A$2.79 million for the six months to 31 December 2008 (A$1.56m after depreciation and amortisation).

REVIEW OF OPERATIONS

The primary focus of the activities during the six months to 31 December 2008 was to ensure that the development and production profile from the Engenho gold project in Brazil was well established to allow a sustainable production profile to be achieved for the future. The effect of the global economic crisis that affected investor confidence, reduced access to equity and debt finance has resulted in most companies assessing the focus on exploration activities and increasing the dependence on internally generated revenues. Mundo Minerals has taken a focused approach to managing the Engenho gold project and exploration activities, and particularly in the latter part of the half year have focused primarily on activities that are expected to yield shorter term production opportunities. Exploration targets around the Engenho gold project as well as continuing development of the Torrecillas gold project in Peru have been the primary focus of the company.

A more detailed summary of the progress of each of the company's assets, corporate activities and outlook for the future are detailed below:

Engenho Gold Project Brazil

Operations

During the six months to 31 December 2008 significant progress was made with the Engenho gold project to a stage where mine development had been progressed at the end of December to a stage where sufficient stoping ore had been developed to allow a production tonnage of approximately 20,000 tonnes per month of ore to be mined on a consistent basis as well as ensuring that the development programme for the mine was efficiently structured for future operations.

In September 2008, the company advised that there was a requirement to review the initial interpretation of the resource to take into account an underperformance from predominantly the Bola ore body which when developed was found to have a less regular geometric structure than the initial interpretation anticipated. A review of all data from drilling and development was undertaken and the current mine plan based on this review is performing well within expectations. Budgeted production for the 2009 calendar year is expected to be approximately 30,000 ounces.
Treatment facilities continue to operate well. Towards the end of the half year a tertiary crusher was commissioned to enhance the future production profile for the operations.

As noted in the attached graphs the performance of the Engenho gold project has consistently improved as mine development allows for a more consistent production profile as is expected with the development of all emerging production assets.

Figure 1 Tonnes Mined

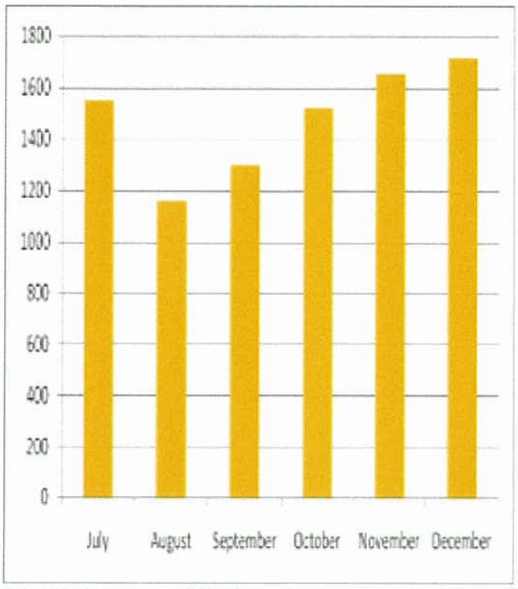

Figure 2 Ounces Produced

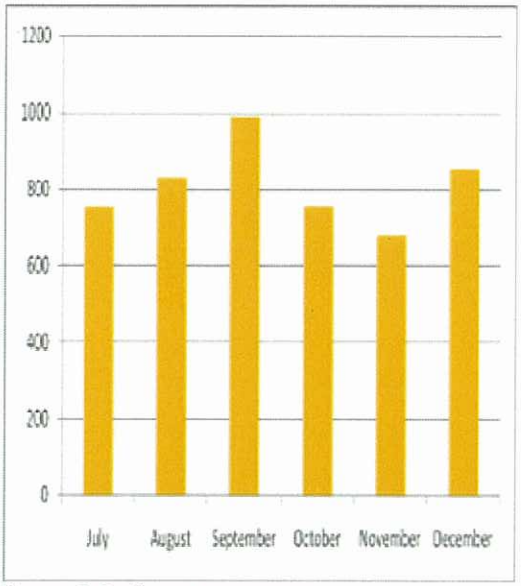

Figure 3 Cash cost per ounce

Cash costs in December were affected by non monthly recurring costs such as carbon replacement, crusher wear parts etc that could be amortised over a number of months but were charged as an expense during the month.

The Engenho gold project reported earnings before interest taxation depreciation and amortisation of A$2.79 million for the six months to 31 December 2008 (A$1.56m after depreciation and amortisation). Unit costs will reduce in the second half of the financial year as production increases beyond 2000 ounces per month. Average gold production for the six months was 1481 ounces per month. Production between January 2009 and June 2009 is forecast to be between 2000 and 2300 ounces per month increasing further subsequent to July 2009. Increased production profiles have a substantial positive effect on cash operating costs per ounce as a substantial cost of managing any mining operation are fixed costs.

As previously stated much of the focus of mining during the first half of the financial year has been ensuring development was achieved to allow a sustainable production profile to be established by the end of December. This has been achieved.

Ground conditions associated with mine development continue to be excellent and the mine housekeeping culture underground and in the plant remain first class. The mine has a solid safety record and continuous improvements are made to ensure that the safety culture equates to best practise. Community relationships remain excellent and the company retains a respected profile within the community.

Exploration

During the half year substantial progress has been made in assessing the exploration potential of the Engenho tenement which covers an area of approximately 713ha (The mine covers approximately 11ha). In addition to the previously announced Mazoca anomaly approximately 600 metres to the north of the Engenho mine, two additional high level anomalies have been identified through mapping and soil sampling. These are known as Crista and Olhos and are shown in the attached map.

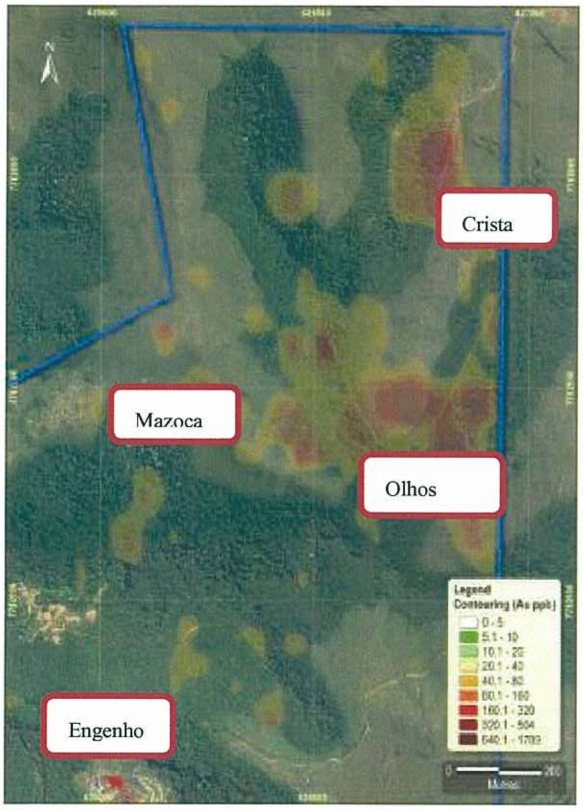

Figure 4 – Location of key anomalies on the Engenho tenement

All exploration to date has been of a low cost nature while the company focuses on establishing a consistent production profile from Engenho, which is expected to fund the Company's exploration activities.

These anomalies, as well as the priority Mazoca anomaly, are all located within an 8km radius of the Engenho Mine and treatment facilities and therefore form part of a strategic approach to developing additional ore sources and enhancing the annualised production profile for the Engenho Project.

Mineralisation has so far been identified over a strike length of approximately 250 metres at Crista. Previously announced assay results are shown in Figure 5.

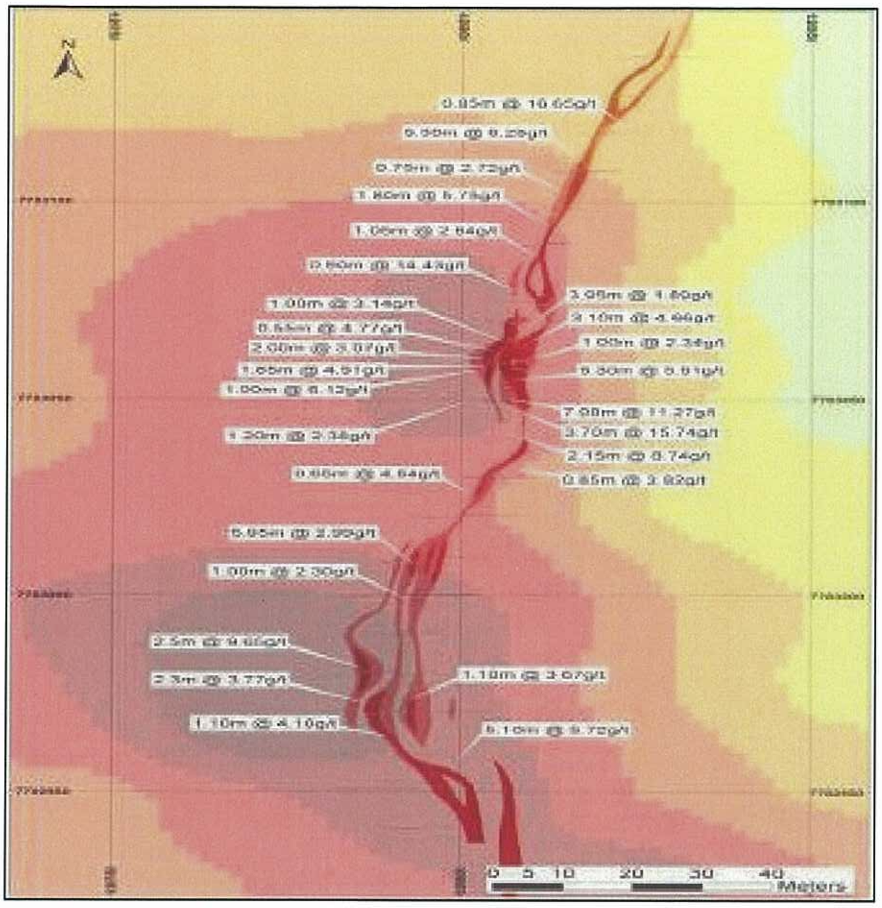

Figure 5 – Assays from trench sampling at Crista

Trench results have been received for the northern 200 metres of this zone averaging 6.5g/t over a mean width of 3.3 metres. The anomaly remains open to the south.

TORRECILLAS GOLD PROJECT, Peru (Mundo 100%)

During the half year, work at Torrecillas focused on development along the main Torrecillas vein structure where all the historical mining occurred rather than continuing previous exploration along untested vein structures.

The rationale has been to develop and access known mineralised structures which will allow mining techniques and production efficiencies to be tested with the added advantage of processing ore from development at a nearby treatment facility.

This approach has delivered very encouraging results, with substantial development achieved on the 12 Level of the Torrecillas vein. While the ore mined from development is at a small scale, the average head grades achieved during the period were approximately 15g/t Au as shown in Figure 9 below.

Figure 6 – Underground development

Recent development has exposed **78 metres of ore grade mineralisation at an average grade of 36.44g/t** (using a 100g/t top cut) with a mean true width of 0.93 metres. This includes 34 metres from the old workings.

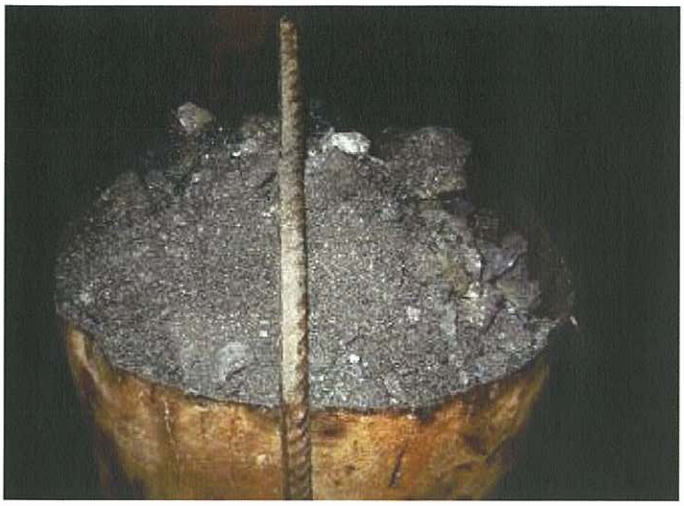

Figure 7 – High grade ore

December yielded a positive cash flow after paying all corporate overheads, development and exploration costs.

While gold production in terms of ounces is small, the high average grade of ore and low operating cost structure in Peru is allowing the project to be subsidised and this is expected to continue for the foreseeable future.

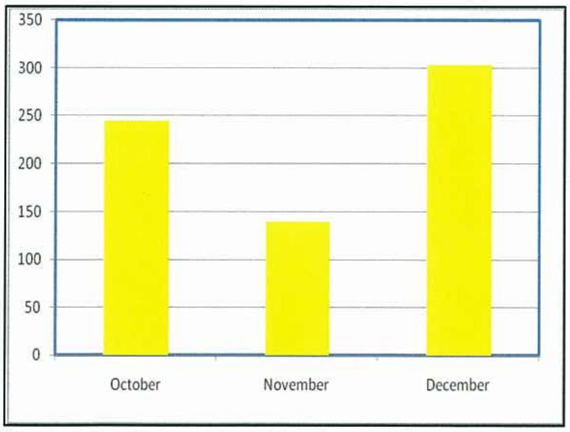

Figure 8 – Ounces produced

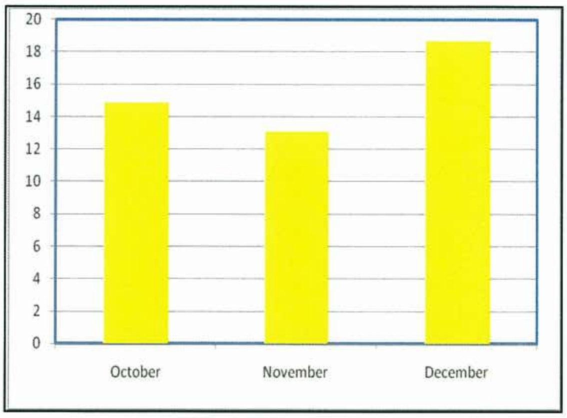

Figure 9 – Grade of ore

<u>TOCANTINS GOLD PROJECT, BRAZIL (Mundo 51%)</u>

Joint Venture Structure

During the half year, negotiations were completed with the Company's Joint Venture partners, IamGold and AngloGold Ashanti, to review the practicality of the current Joint Venture structure for the Tocantins Project (*see tenement areas in Figure 10 below*).

Under the initial Joint Venture arrangements, Mundo Minerals had the right to earn a 51% interest in all Joint Venture tenements. It also had the right to increase its equity in any tenement in the Joint Venture area of interest by taking any resource discovered through bank feasibility stage.

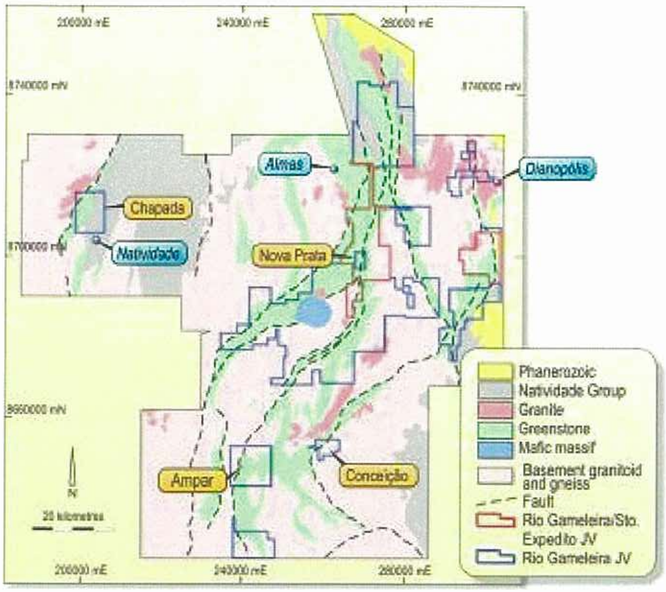

Figure 10 Tocantins tenements

Under this structure Mundo had to conduct individual feasibility studies on a tenement by tenement basis to earn the 80% equity, but retained the rights to maximise equity for any discovery made. The structure also meant that there was no incentive for the other Joint Venture parties to contribute to exploration because Mundo retained all upside equity potential.

In light of this, Mundo has agreed that there is no requirement for the Joint Venture parties to contribute to exploration or incur any dilution component until Mundo has earned an 80% equity. In return for this concession, Mundo Minerals has negotiated the right to earn an 80% interest in all tenements in each joint venture area of interest by completing a feasibility study on any single resource in the joint venture area of interest.

This significantly enhances the ability for the Company to consolidate its majority equity interest in this highly prospective region. For the purposes of the feasibility parameters, it has been agreed that the minimum resource size for any gold resource that a feasibility study is completed will be 350,000 ounces of gold – well within the expected commercial parameters Mundo Minerals would require before moving to project development status. To put this in perspective, this is a similar project size to the Company's existing Engenho Gold Project.

The project size for any feasibility to be completed on any base metals project for Mundo to realise the full 80% equity in the joint venture area of interest is a resource with a gold equivalent value of 500,000 ounces of gold. Again, this is a relatively moderate size project for Mundo to discover to maximise its equity potential.

As previously announced, Mundo Minerals has two separate joint ventures in this region. The parameters are replicated for each joint venture, which simplifies the administration of the joint ventures and secures a substantial opportunity for Mundo Minerals to secure a majority equity stake in a major, highly prospective greenstone belt. The location of various tenements and major projects in this joint venture are shown in Figure 10 above.

Exploration

As with all exploration work conducted by Mundo Minerals during the half year, exploration activity at the Tocantins Joint Venture was limited to low-cost reconnaissance work with no drilling activity carried out. Notwithstanding this, work was focused on two main tenements within the joint venture areas of interest – Nova Prata and Ampar.

The primary focus was at Ampar near the Conceicao tenement, which was the main focus of exploration work at Tocantins during 2008.

Previous limited drilling at Ampar had yielded a strong assay result of 1.25 metres at 22.5g/t. This together with limited soil sampling work confirmed that this area is highly prospective.

During the half year, a systematic mapping and soil sampling exercise was carried out at Ampar resulting in the identification of a significant gold anomaly. Assays from soil sampling yielded gold assays in excess of 5 g/t Au, providing highly encouraging drill targets to be tested once full scale exploration is resumed on this project.
Significant assays from the soil sampling include 5.98g/t, 3.63g/t, 5.72g/t, 5.38g/t, 4.48g/t, 5.13g/t. Importantly, the strike of the zone where these significant assays have been sourced is in excess of 750 metres.

In addition to the work undertaken at Ampar, mapping and soil sampling was carried out on the Nova Prata tenements. This work was designed to follow up previous work undertaken by IamGold and other tenement owners. As a result of this work a substantial anomaly has now been defined and soil sampling has identified an anomaly with a strike length in excess of 3 kilometres. The area has supported a number of private mining operations historically and advanced drill targets are being identified again for when full scale exploration is recommenced on these tenements.

JAQUEIRA GOLD PROJECT, BRAZIL (Mundo Option to Acquire 100%)

No significant work was undertaken on the Jaqueira Project during the period as drill targets already have been established and approvals have been granted to allow drilling to commence once full scale exploration recommences.

CORPORATE

Late in the half year, Mundo Minerals announced the appointment of Mr Andrew Law, an experienced international mining executive with over 25 years experience, as the Company's Chief Operating Officer. Mr Law has assumed responsibility for the Engenho Gold Project, and will assume responsibility for the Peru operations as well as assist with new project development. He is currently working through an operations review of the Engenho Gold Project and has quickly established a significant working relationship with all senior personnel.

During the half year, Mundo Minerals secured a funding facility from its major shareholder, AngloPacific Group which was primarily used to enhance working capital facilities during the period where there was an interruption to the production profile while the resource interpretation referred to earlier in this report was resolved. Details of this facility are contained in the body of the half yearly report.

As outlined above, the principal focus of the Company at this stage of its development is to ensure that the Engenho gold operations are appropriately managed to produce a sustainable production profile and cash flow. Exploration activity has been restricted while this occurs and the Directors remain mindful that, in the current economic climate, the priority for the Company must be on establishing self sufficiency from a funding perspective and ensuring that the financial health of the company is well established.

Mundo Minerals has an abundance of opportunities from all projects within its asset portfolio but these must, and will, be managed appropriately and with some patience – particularly considering the current lack of availability of external funding sources in the wake of the global financial crisis.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is included on page 9 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and, in accordance with that Class Order, amounts in the directors' report and the financial report are rounded off to the nearest $1,000, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

J Langford
Managing Director

Perth, 25 February 2009

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Mundo Minerals Limited
45 Ventnor Avenue
West Perth WA 6005

25 February 2009

Dear Board Members

Mundo Minerals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mundo Minerals Limited.

As lead audit partner for the review of the financial statements of Mundo 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:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review and

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Review Report to the members of Mundo Minerals Limited

We have reviewed the accompanying half-year financial report of Mundo Minerals Limited which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 20.

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 establishing 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. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Mundo Mineral Limited'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 Mundo Mineral 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.

Auditor's Independence Declaration

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 Mundo 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.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants
Perth, 25 February 2009

Directors' Declaration

The directors declare that:

(a) 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; and

(b) in the directors' opinion the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Board

J Langford
Managing Director

Perth, 25 February 2009

Condensed Consolidated Income Statement
For the half-year ended 31 December 2008

	Notes	Consolidated Half-year ended 31 December 2008 $'000s	31 December 2007 $'000s
Continuing Operations			
Revenue from sale of goods		9,420	-
Cost of sales		(8,255)	-
Gross profit		1,165	-
Other revenue		24	641
Occupancy costs		(361)	(334)
Administration expenses		(2,004)	(1,574)
Finance costs - Interest		(92)	-
Finance costs - Fair value adjustment		(274)	-
Other expenses		(239)	(202)
LOSS BEFORE INCOME TAX EXPENSE		(1,781)	(1,469)
Income tax expense		-	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF MUNDO MINERALS LTD		(1,781)	(1,469)
Loss per share			
Basic (cents per share)		(1.2)	(1.1)
Diluted (cents per share)		(1.2)	(1.1)

Notes to the condensed financial statements are included on pages 17 to 20

Condensed Consolidated Balance Sheet
As at 31 December 2008

	Notes	Consolidated 31 December 2008 $'000s	Consolidated 30 June 2008 $'000s
CURRENT ASSETS			
Cash and cash equivalents		988	1,353
Trade and other receivables		2,066	710
Prepayments		360	287
Inventories		2,359	1,794
TOTAL CURRENT ASSETS		5,773	4,144
NON-CURRENT ASSETS			
Other Receivables		897	
Property, plant and equipment		19,608	18,847
Mine assets		8,251	10,690
Deferred exploration expenditure		13,482	7,302
TOTAL NON-CURRENT ASSETS		42,238	36,838
TOTAL ASSETS		48,011	40,982
CURRENT LIABILITIES			
Trade and other payables		2,837	2,516
Borrowings	3	2,734	-
Provisions		1,426	797
TOTAL CURRENT LIABILITIES		6,997	3,313
NON-CURRENT LIABILITIES			
Borrowings	3	4,269	-
Provisions		1,520	1,107
TOTAL NON-CURRENT LIABILITIES		5,789	1,107
TOTAL LIABILITIES		12,786	4,420
NET ASSETS		35,225	36,562
EQUITY			
Issued capital	4	40,787	40,787
Reserves		1,453	1,009
Accumulated losses		(7,015)	(5,234)
TOTAL EQUITY		35,225	36,562

Notes to the condensed financial statements are included on pages 17 to 20

Condensed Consolidated Statement of Changes in Equity For the half-year ended 31 December 2008

	Issued Capital $'000s	Equity Settled Employee Benefits Reserve $'000s	Foreign Currency Translation Reserve $'000s	Accumulated Losses $'000s	Total $'000s
At 1 July 2007	18,441	67	(164)	(1,923)	16,421
Exchange differences arising on translation of foreign operations	-	-	599	-	599
Net income recognised directly in equity	-	-	599	-	599
Loss for the period	-	-	-	(1,469)	(1,469)
Total recognised income and expense	-	-	599	(1,469)	(870)
Issue of shares	23,320	-	-	-	23,320
Share issue costs	(952)	-	-	-	(952)
Recognition of share-based payments	-	63	-	-	63
At 31 December 2007	**40,809**	**130**	**435**	**(3,392)**	**37,982**
At 1 July 2008	40,787	281	728	(5,234)	36,562
Exchange differences arising on translation of foreign operations	-	-	305	-	305
Net income recognised directly in equity	-	-	305	-	305
Loss for the period	-	-	-	(1,781)	(1,781)
Total recognised income and expense	-	-	305	(1,781)	(1,476)
Recognition of share-based payments	-	139	-	-	139
At 31 December 2008	**40,787**	**420**	**1,033**	**(7,015)**	**35,225**

Notes to the condensed financial statements are included on pages 17 to 20

Condensed Consolidated Cash Flow Statement
For the half-year ended 31 December 2008

	Notes	Consolidated Half-year ended 31 December 2008 $'000s	Consolidated Half-year ended 31 December 2007 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from gold sales		8,832	-
Payments to suppliers and employees		(10,767)	(1,810)
Interest and other costs of finance paid		(80)	-
Income tax paid		(180)	-
NET CASH USED IN OPERATING ACTIVITIES	5	(2,195)	(1,810)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(2,636)	(984)
Payments of exploration and evaluation costs		(2,479)	(1,846)
Payment for mine assets		(261)	(7,663)
Interest received		16	555
NET CASH USED IN INVESTING ACTIVITIES		(5,360)	(9,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	23,320
Payment of share issue costs		-	(952)
Proceeds from issue of debt securities		7,072	-
NET CASH FROM FINANCING ACTIVITIES		7,072	22,368
Net (decrease)/increase in cash and cash equivalents		(483)	10,620
Cash and cash equivalents at the beginning of the period		1,353	8,487
Effects of exchange rate changes on the balance of cash held in foreign currencies		118	159
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		988	19,266

Notes to the condensed financial statements are included on pages 17 to 20

Notes to the Condensed Consolidated Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and, in accordance with that Class Order, amounts in the directors' report and the financial report are rounded off to the nearest $1,000, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

Going Concern

The financial statements have been prepared on the basis that the Consolidated Entity will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In arriving at this position, the directors have considered the following pertinent matters:

- ***Short term loan facility***
  The Consolidated Entity has a short term loan facility of A$1,634,000 repayable from June 2009 over approximately 12 months. Projected cash flows are able to meet this commitment.

- ***Convertible Debenture Facility***
  In September 2008, the Consolidated Entity secured a A$4.0 million Convertible Debenture Facility (Facility) from Anglo Pacific Group plc (Anglo Pacific) which is fully drawn and repayable from future production, not from available cash resources.

- ***Gold production***
  In July 2008, the Consolidated Entity commenced gold production and received A$8.8 million revenue from Gold sales for the six months ending 31 December 2008.
  Revenue from future gold sales is expected to be sufficient to meet future expenditure commitments.

- ***Gold in Circuit***
  As at 31 December 2008, the Consolidated Entity held an estimated 1,200 ounces of gold in circuit.

- ***Net Assets***

  At the date of signing the financial statements the Consolidated Entity group net assets were approximately A$35 million.

- ***Future Expenditure***

The Consolidated Entity has the flexibility of reducing the levels of exploration and mine development expenditure.

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that, having regard to the matters set out above, the Consolidated Entity will have sufficient funds to meet its obligations as and when they fall due.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts, or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity and Company not be able to continue as going concerns.

2 SEGMENT INFORMATION

The following is an analysis of the revenue and results for the period analysed by geographical segment, Mundo Minerals Ltd's primary basis of segmentation.

	Segment Revenue		Segment Result	
	2008	2007	2008	2007
Continuing operations	$'000s	$'000s	$'000s	$'000s
South America	9,420	94	(138)	(1,055)
Australia	-	-	(1,667)	(961)
Unallocated	24	547	24	547
Consolidated revenue	9,444	641		
Loss before income tax expense			(1,781)	(1,469)
Income tax expense			-	-
Loss for the period			(1,781)	(1,469)

3 BORROWINGS

	Consolidated Half-year ended	
	31 December 2008 $'000s	**30 June 2008 $'000s**
Secured at amortised cost		
Current		
Brazilian Bank facilities (i)	871	-
Loan from related party (ii)	1,634	-
Convertible debenture (iii)	229	-
	2,734	-
Non-current		
Brazilian Bank facilities (i)	237	-
Convertible debenture (iii)	4,032	-
	4,269	

(i) Brazilian Bank facilities

The Banco Do Brasil granted our subsidiary Mundo Mineracao Ltda an overdraft facility for 1.150 million Reals. The interest rate on any outstanding balance is 1.9% per month and the facility has been secured by the underground mining equipment. The facility is renewable in November 2009.

The Banco Real granted our subsidiary Mundo Mineracao Ltda an overdraft facility for 300,000 Reals. The facility is renewable in March 2009 and Interest is payable monthly at the rate of 2.1%.

Both overdraft facilities are used to make payments to suppliers which fall due before gold sale proceeds have been received.

The Banco of Brasil has provided two loans under a special government scheme to assist Brazilian companies in purchasing plant and equipment. The total amount borrowed under the scheme is 394,000 Reals. The effective interest rate is 4.25% per annum calculated monthly and paid quarterly, Repayments begin in November 2009 and final payments are due in December 2015.

(ii) Loan from related party

The facility has been provided to the Company by the Managing Director, Mr John Langford, on a cost reimbursement basis and is repayable on or before 1 April 2009 or such later date as the Company and Mr. Langford agree. Mr. Langford has borrowed this amount from the National Australia Bank for the purpose of on lending the money to the Company. The Company is liable to pay interest of 9.61% per annum and fees which Mr. Langford incurs on his corresponding loan from the bank.

(iii) Convertible debenture

The convertible debenture was issued to Anglo Pacific plc in November 2008 at a face value of A$4 million, with interest applicable to the outstanding amounts on a quarterly basis equal to the NAB prime rate at the commencement of the quarter plus 2%. The debenture entitles the holder to the number of ordinary shares, at a cost of $0.35 per share, that total the value of the outstanding principal of the debenture on the conversion date. Conversion may occur at any time between the date of issue of the debenture and the end of mining activity at the Engenho mine and surrounding tenements.

Interest and principal repayments are made via a royalty of 2.5% of the net smelter return on gold production from the Engenho mine and surrounding tenements. The royalty payments continue to be made until the earlier of the conversion of the debenture or the end of mining activity at the Engenho Mine and surrounding tenements.

The debenture has been treated as an instrument measured at fair value through profit and loss as it contains an embedded derivative in relation to the future payments linked to the future production profile and future gold price. Accordingly the instrument has been remeasured at 31 December 2008 and will be remeasured at each reporting date until extinguished.

At 31 December 2008, the fair value of the loan was determined by calculating the Net Present Value of estimated future repayments using a discount rate of 15.7%. A fair value finance charge in addition to the interest charge was incurred as a result of recording the loan amount at fair value.

The convertible debenture is secured by the mining rights related to Engenho tenements and the plant and equipment used to process ore extracted from the Engenho tenements.

4 ISSUANCE OF EQUITY SECURITIES

There were no movements in the ordinary share capital of the company in the current reporting period.
During the period ended 31 December 2007 the company issued 10.64 million shares under a share purchase plan for $5.32 million and 36 million shares via share placements for $18 million.

The Company issued 500,000 share options (2007: 600,000) over ordinary shares issued under its employee share option plan during the half-year reporting period. These share options had a weighted average fair value at grant date of $0.096 per share option (2007: $0.45).

5 CASH FLOW STATEMENT

	Consolidated	
	2008	**2007**
	$'000s	**$'000s**
Reconciliation of loss for the period to net cash flows used in operating activities		
Loss for the period	(1,781)	(1,469)
Depreciation and amortisation of non-current assets	780	197
Equity settled share-based payment	139	63
Interest received transferred to investing activities	(16)	(555)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:	(8)	-
Receivable from sale of gold bullion	(994)	-
Other receivables	-	45
Prepayments	(13)	(13)
Increase/(decrease) in liabilities:		
Trade and other payables	(265)	(118)
Provisions	(37)	40
Net cash used in operating activities	(2,195)	(1,810)

6 CONTINGENCIES AND COMMITMENTS

Torrecillas

Pursuant to the Torrecillas Heads of Agreement, with Sociedad, in November 2007 one final payment of US$309,000 remained to be paid as at 31 December 2008.

There were no other material changes in any contingent liabilities or commitments of the consolidated entity since the last annual reporting date.

7 SUBSEQUENT EVENTS

In January 2009, the company made a payment of US$309,000 to Sociedad. All commitments under the Torrecillas Heads of Agreement have now been met,

No other matters or circumstances have arisen since the end of the financial period, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.