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**BARRA RESOURCES LIMITED**  
**ABN 76 093 396 859**

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**FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2008**

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**DIRECTORS' REPORT**  
**31 DECEMBER 2008**

The Directors present their report together with the financial report on Barra Resources Limited ("Barra" or "the Company"), for the half-year ended 31 December 2008.

**DIRECTORS**

The Directors of the Company during or since the end of the half-year are:

- Gary John Berrell
- Dean Barry Goodwin
- Grant Jonathan Mooney

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

**OPERATING RESULTS**

The loss from ordinary activities of the Company for the half-year ended 31 December 2008 after income tax was \$1,384,009 (2007: \$7,946,400).

**REVIEW OF OPERATIONS**

The Company undertook the following activities during the half-year ended 31 December 2008.

**Burbanks Gold Project (Coolgardie, Western Australia)**

Production

Following suspension of underground mining operations in July 2007, the Company commenced a review of options which would allow for more cost effective mining operations. In parallel with this review process, the Company continued with underground and surface drilling programs along strike with a view to expanding and upgrading the existing gold inventory.

Exploration

During the period, an independent mining and geological consulting firm estimated a JORC compliant Indicated and Inferred mineral resource of 391,000 tonnes at 3.24 grams per tonne gold for a total of 40,800 ounces along strike and down dip of Tailor Shoot and its associated lodes. This resource incorporates the complex interplay of Tailor Shoot, Dahmu Reef, Eastern Reef and Jesson Reef.

A successful maiden RC drilling program totalling 604 metres to test historical Mainlode workings demonstrated that significant gold potential exists up plunge from Mainlode. Deeper holes are planned to test the plunge potential further.

**Mt Thirsty Project (50% - Norseman, Western Australia)**

The Company continued exploration and metallurgical testwork at the Mt Thirsty Cobalt-Nickel-Manganese Deposit which Barra participates equally in the Project with Fission Energy Ltd ("Fission").

An independent mining and geological consulting firm estimated a JORC compliant Indicated and Inferred mineral resource of 29,030,000 tonnes grading 0.12% cobalt, 0.56% nickel and 0.88% manganese.

Bench scale metallurgical testwork returned recoveries of up to 99% cobalt, 98% manganese and 78% nickel (atmospheric leach extractions).

An ongoing, metallurgical and engineering pre-feasibility study found that the Mt Thirsty project has the potential to emerge as the world's fourth largest cobalt supplier with the potential to support production of 3,700 tonnes of cobalt, 10,300 tonnes of nickel and 27,000 tonnes of manganese per annum during first three years of production.

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Surface reconnaissance rock chip sampling programs identified nickel sulphide gossans which require additional field studies in conjunction with geophysical surveys to define and test footwall contacts.

**Kambalda West (earning 70% of gold rights)**

The Company continued with planning and design of further drilling including shallow RC and deeper diamond holes to follow up the successful drilling programs undertaken in mid 2008 at Spargo's Reward. The drilling was approved by the DoIR.

The RC drilling program was designed to continue testing for oxide mineralisation, amenable to open-pit mining, associated with the Main Lode system and the footwall contact with the felsic crystal tuff. The deeper diamond drilling was designed to further define the down-plunge continuation of the Main Lode system.

Following the end of the half year, the Company received a notice from tenement holder and joint venture partner Breakaway Resources Limited purporting to terminate the Farmin and Joint Venture Agreement between the parties relating to gold rights over the West Kambalda Project.

The Company is taking legal advice in relation to the notice.

**Riverina Project (30% of nickel rights)**

No exploration activities carried out during the period. The Riverina Joint Venture is reviewing all options available to advance the project.

**Phillips Find Project**

The Company completed an auger soil sampling program over the Carbine Option tenements identifying several encouraging gold anomalies. An intensive mapping program together with an aeromagnetic survey is planned.

At Newminster, the compilation of structural data and sectional interpretations from earlier diamond drilling is underway and a scoping study is planned to determine if the deposit is potentially profitable at current mining costs and gold price.

**Quinn Hills Project**

The Company entered into an agreement to dispose of this project subject to a number of conditions as well as the listing of the purchaser on the Australian Securities Exchange.

**DIVIDENDS**

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

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Signed on 10<sup>th</sup> March 2009 in accordance with a resolution of the directors made pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the Directors:



**DEAN BARRY GOODWIN**  
Managing Director



**GARY JOHN BERRELL**  
Chairman

Chair of the Board of Directors  
Barra Resources Limited  
Level 3, Mercury House  
33 Richardson Street  
WEST PERTH WA 6005

10 March 2009

Dear Board Members

**Barra Resources 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 Barra Resources Limited.

As lead audit partner for the review of the financial statements of Barra Resources 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

*Kathleen Bozanic*

Kathleen Bozanic  
Partner  
Chartered Accountants

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

	<b>31-Dec-08</b>	<b>30-Jun-08</b>
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	643,981	2,054,517
Trade and other receivables	79,503	916,406
Other	24,876	12,803
	<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>	<b>748,360</b>	<b>2,983,726</b>
<b>NON CURRENT ASSETS</b>		
Financial assets	552,092	552,092
Property, plant and equipment	252,460	351,603
Exploration, evaluation and development expenditure	16,645,364	16,457,335
	<hr/>	<hr/>
<b>TOTAL NON CURRENT ASSETS</b>	<b>17,449,916</b>	<b>17,361,030</b>
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>18,198,276</b>	<b>20,344,756</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	208,777	794,216
Borrowings	319,244	4,025,862
Provisions	23,347	240,653
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>551,368</b>	<b>5,060,731</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	172,000	-
Borrowings	702,937	82,646
	<hr/>	<hr/>
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>874,937</b>	<b>82,646</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>1,426,305</b>	<b>5,143,377</b>
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>16,771,971</b>	<b>15,201,379</b>
<b>EQUITY</b>		
Issued Capital	41,450,617	38,678,291
Employee Equity Settlements Reserve	2,087,274,	1,904,999
Accumulated losses	(26,765,920)	(25,381,911)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>16,771,971</b>	<b>15,201,379</b>
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Notes to the financial statements are included on pages 8 and 9.

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

	<b>Half-Year Ended 31-Dec-08 \$</b>	<b>Half-Year Ended 31-Dec-07 \$</b>
Sales	-	4,913,802
Interest received	71,591	129,624
Other revenues from ordinary activities	138,260	3,500
<b>Total Revenue</b>	<b>209,851</b>	<b>5,046,926</b>
Mining operating expenses	-	(3,798,143)
Amortisation of development expenses	-	(4,657,409)
Exploration expenditure written-off	(511,781)	(3,074,369)
Employee benefits expense	(537,294)	(852,145)
Depreciation expense	(72,149)	(38,092)
Consulting expenses	(119,143)	(96,529)
Finance expenses	(84,540)	(282,095)
Rental expenses	(90,666)	(31,219)
Administration expenses	(148,756)	(138,981)
Other expenses from ordinary activities	(29,531)	(24,344)
<b>Loss before income tax expense</b>	<b>(1,384,009)</b>	<b>(7,946,400)</b>
Income tax expense	-	-
<b>Loss after related income tax expense</b>	<b>(1,384,009)</b>	<b>(7,946,400)</b>
	Cents	Cents
<b>Earnings per share:</b>		
Basic loss per share (cents per share)	(0.62)	(4.14)
Diluted loss per share(cents per share)	(0.62)	(4.14)

Notes to the financial statements are included on pages 8 and 9.

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

	<b>Half-Year Ended 31-Dec-08 \$</b>	<b>Half-Year Ended 31-Dec-07 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	67,537	129,624
Interest and other costs of finance paid	-	(1,893)
Receipts from customers	145,474	-
Payments to suppliers and employees	(929,603)	(2,007,786)
	<b>(716,592)</b>	<b>(1,880,055)</b>
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(12,667)	(21,041)
Proceeds of disposal of property, plant & equipment	43,805	-
Payments for exploration, evaluation and development expenditure	(917,634)	(3,807,684)
Reimbursement of exploration expenditure from Joint Venture partners	579,827	-
Repayment of loans to other entities	(387,274)	(30,662)
	<b>(693,943)</b>	<b>(3,859,387)</b>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity	-	8,925,000
Payment for share issue costs	-	(694,778)
	<b>-</b>	<b>8,230,222</b>
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,410,536)</b>	<b>2,490,780</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE HALF YEAR</b>	<b>2,054,517</b>	<b>3,811,232</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR</b>	<b>643,981</b>	<b>6,302,012</b>

Notes to the financial statements are included on pages 8 and 9.

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

	Ordinary Shares \$	Employee Equity- settled Benefits Reserve \$	Accumulated Losses \$	Total \$
<b>Balance as at 1 July 2007</b>	<b>25,360,528</b>	<b>239,625</b>	<b>(14,641,528)</b>	<b>10,958,625</b>
Issue of 1,500,000 shares following conversion of Director options at 10 cents per share on 3 September 2007	150,000	-	-	150,000
Issue of 8,000,000 shares at 41 cents per share as part settlement of debt to FMR Investments Pty Ltd	3,280,000	-	-	3,280,000
Issue of 1,500,000 shares following conversion of Director options at 15 cents per share on 19 October 2007	225,000	-	-	225,000
Issue of 20,625,000 shares at 40 cents per share between 7 November 2007 and 27 November 2007	8,250,000	-	-	8,250,000
Issue of 75,000 shares to RM Capital Pty Ltd in lieu of payment of a research fee	28,500	-	-	28,500
Issue of 1,500,000 shares following conversion of Director options at 20 cents per share on 30 November 2007	300,000	-	-	300,000
Issue of 878,716 shares at 35 cents per share pursuant to the Breakaway Resources Limited agreement dated 20 December 2007	307,550	-	-	307,550
Less costs of issue	(698,736)	-	-	(698,736)
Loss for the period	-	-	(7,946,400)	(7,946,400)
Recognition of share-based payments	-	1,536,932	-	1,536,932
<b>Balance as at 31 December 2007</b>	<b>37,202,842</b>	<b>1,776,557</b>	<b>(22,587,928)</b>	<b>16,391,471</b>
<b>Balance as at 1 July 2008</b>	<b>38,678,291</b>	<b>1,904,999</b>	<b>(25,381,911)</b>	<b>15,201,379</b>
Issue of 27,723,260 shares at 10 cents per share as part settlement of debt to FMR Investments Pty Ltd	2,772,326	-	-	2,772,326
Loss for the period	-	-	(1,384,009)	(1,384,009)
Recognition of share-based payments	-	182,275	-	182,275
<b>Balance as at 31 December 2008</b>	<b>41,450,617</b>	<b>2,087,274</b>	<b>(26,765,920)</b>	<b>16,771,971</b>

Notes to the financial statements are included on pages 8 and 9.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Act 2001, AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial 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.

**(b) Basis of preparation**

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. 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 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.

**(c) Going concern**

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Company incurred a net loss of \$1,384,009 and net cash outflow of \$1,410,536 during the half-year ended 31 December 2008. The Company is currently in a positive net current asset position and is able to meet existing commitments as they fall due.

In order to continue as a going concern and to pay its debts as and when they fall due, the Company will need to raise sufficient funds through:

- a) a capital raising within the next six months; and
- b) the continued support of its financiers.

In addition, the Company needs to actively manage the current level of discretionary exploration expenditure in line with the funds available to the Company.

The Directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate.

Notwithstanding this, as a junior explorer with a start up project and a dependency on continued support from current financiers and on securing additional funding, there is significant uncertainty whether the Company will be able to continue as a going concern.

Should the Company at anytime be unable to continue as going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**NOTE 2: SEGMENT INFORMATION**

The Company operates solely in the natural resources exploration industry in Western Australia. The Company is involved in gold, nickel and cobalt exploration in the areas of Phillips Find, Quinn Hills, Burbanks and at Mt Thirsty, Western Australia.

**NOTE 3: DIVIDENDS**

No dividends have been paid or declared in the half year.

**NOTE 4: RESULTS FOR THE PERIOD**

Loss for the period has been recognised after taking the following into account:

Other expenses	<b>2008</b>	<b>2007</b>
	\$	\$
Recognition of loss from the impairment of capitalised expenditure	415,918	-

**NOTE 5: ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES**

In November 2008, 27,723,260 shares were issued to FMR Investments Limited at a deemed price of 10 cents per share in part satisfaction of the debt owing to FMR Investments Limited.

**NOTE 6: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There have been no changes in contingent liabilities or contingent assets since the most recent annual report.

**NOTE 7: SUBSEQUENT EVENTS**

The following events occurred subsequent to the end of the reporting period:

- Following the end of the half year, the Company received a notice from tenement holder and joint venture partner Breakaway Resources Limited purporting to terminate the Farmin and Joint Venture Agreement between the parties relating to gold rights over the West Kambalda Project. The Company is taking legal advice in relation to the notice.

Other than the above, there are no significant events have occurred subsequent to the reporting date.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**DIRECTORS' DECLARATION**

The Directors declare that:

- (a) In the Directors' opinion there are reasonable grounds to believe that the disclosing entity 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 Company.

Signed in accordance with a resolution of the Directors, made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Directors



**DEAN BARRY GOODWIN**  
Managing Director



**GARY JOHN BERRELL**  
Chairman

Dated in Perth this 10th day of March 2009

## **Independent Auditor's Review Report to the members of Barra Resources Limited**

We have reviewed the accompanying half-year financial report of Barra Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration as set out on pages 4 to 10.

### *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 Barra Resources 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 Barra Resources 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 Barra Resources 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*.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of \$1,384,009 and net cash outflow of \$1,410,536 during the half-year ended 31 December 2008. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Kathleen Bozanic*

Kathleen Bozanic  
Partner  
Chartered Accountants  
Perth, 10 March 2009