

COPPERMOLY LTD

A.B.N. 54 126 490 855

INDEX TO CONSOLIDATED INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2007

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COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES

A.B.N. 54 126 490 855

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Coppermoly Limited and the entity it controlled at the end of, or during, the half-year ended 31 December 2007.

DIRECTORS

The following persons were directors of Coppermoly Limited during the half-year and up to the date of this report:

Robert D. McNeil

Peter Swiridiuk

Doug Hutchinson

Dal Brynelsen

Garry Edward – resigned as a director 25 September 2007

Peter McNeill – appointed as a director 25 September 2007

RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is \$282,000 (2006:N/A). There is no dividend paid or recommended.

The company had received \$4,552,392 for subscriptions for shares which had not been issued at the date of this report. The liability for the issue of the shares, together with the full amount of fees payable to the sponsoring brokers, are included in the company's current liabilities as at the date of this report.

Having raised a total of \$8,503,822.25 the company was admitted to the official list of the ASX on Friday, 25 January 2008.

REVIEW OF OPERATIONS

During the half-year, as described in the company's prospectus, the company:

- (i) Was incorporated on 27 July 2007;
- (ii) Raised seed capital of \$500,000 before costs by the issue of 10,000,000 ordinary shares at a discounted issue price of \$0.05 cents per share;
- (iii) Issued 40,000,000 ordinary shares at a nominal value of \$0.036 cents per share, being a total value of \$1,440,000, for the acquisition of two advanced exploration projects in Pua New Guinea; and
- (iv) The consolidated entity funded ongoing exploration and evaluation work on its exploration areas in Papua New Guinea.


COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES

A.B.N. 54 126 490 855

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* immediately follows this report.

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

A handwritten signature in black ink, appearing to read 'P. Swiridiuk', with a stylized, cursive script.

Peter Swiridiuk
Managing Director
Bundall, Qld
Dated: 13 March 2008



BDO Kendalls

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ABN 70 202 702 402

13 March 2008

The Directors
Coppermoly Limited
PO Box 7996
Gold Coast Mail Centre
QLD 9726

Dear Directors

DECLARATION OF INDEPENDENCE BY CHRISTOPHER SKELTON TO THE DIRECTORS OF COPPERMOLY LIMITED

As lead auditor for the review of Coppermoly Limited for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Coppermoly Limited and the entity it controlled during the period.

Yours faithfully
BDO Kendalls (QLD)

C J Skelton
Partner

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COPPERMOLY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Coppermoly Limited and its controlled entity, which comprises the balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Coppermoly Group (the consolidated entity). The consolidated entity comprises both Coppermoly Limited (the company) and the entity it controlled at the half-year end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 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 Coppermoly 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.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF COPPERMOLY LIMITED (continued)**

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Coppermoly Limited (the company) for the half-year ended 31 December 2007 included on Coppermoly Limited's web site. The company's directors are responsible for the integrity of the Coppermoly Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the Directors at the time that this auditor's review was made.

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 Coppermoly Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualification to the opinion expressed above attention is drawn to the following matter:

As set out in Note 1, the financial report has been prepared on a going concern basis. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent upon the continued ability of the consolidated entity to raise capital and or to successfully explore and subsequently exploit the consolidated entity's tenements.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the consolidated entity's plans not eventuate.

BDO Kendalls (QLD)

BDO Kendalls



C J Skelton

Partner

Brisbane

13 March 2008

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES

A.B.N. 54 126 490 855

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Coppermoly Limited 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 directors.



Peter Swiridiuk
Managing Director
Bundall Qld
Dated: 13 March 2008

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Notes	Half - year 2007 \$
Revenue from continuing operations		-
Other income		-
		<hr/>
Exploration expenditure		-
Employee benefits expense	3 (b)	282,000
Corporate compliance and shareholder relations		-
Office rental, communications and consumables		-
Other expenses from ordinary activities		-
		<hr/>
Profit (Loss) before income tax		(282,000)
		<hr/>
Income tax expense		-
		<hr/>
Profit (Loss) for the half year		(282,000)
		<hr/>
		Cents
Basic and diluted earnings per share		(0.57)

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

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	31-Dec-07
		\$
CURRENT ASSETS		
Cash and cash equivalents		4,711,115
Other receivables		80,538
Other prepayments		1,187,038
TOTAL CURRENT ASSETS		<u>5,978,691</u>
NON-CURRENT ASSETS		
Property plant and equipment		4,778
Mineral exploration and development expenditure		1,618,495
TOTAL NON-CURRENT ASSETS		<u>1,623,273</u>
TOTAL ASSETS		<u>7,601,964</u>
CURRENT LIABILITIES		
Subscriptions received pending issue of shares		4,552,392
Trade and other payables		1,106,528
TOTAL LIABILITIES		<u>5,658,920</u>
NET ASSETS		<u>1,943,044</u>
EQUITY		
Contributed equity	3 (a)	1,940,000
Reserves	3 (b)	285,044
Retained Earnings / (Accumulated losses)		(282,000)
TOTAL EQUITY		<u>1,943,044</u>

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

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2007

	Notes	2007
		\$
Total equity at the beginning of the half year		-
Net Income recognised directly in equity		-
(Profit / (Loss) for the half-year		(282,000)
Foreign currency translations		3,044
Total recognised income and expense for the half-year		(278,956)
Transactions with equity holders in their capacity as equity holders		
Seed capital		500,000
Shares issued to acquire tenements		1,440,000
Contributions of equity	3 (a)	1,940,000
Share based payments reserve	3 (b)	282,000
Total equity at the end of the half-year		1,943,044

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

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Notes	Half-year 2007 \$
Cash Flows From Investing Activities		
Exploration and evaluation activities	5(a)	(176,757)
Payments for property, plant and equipment		<u>(5,128)</u>
Net cash (outflow) inflow from investing activities		<u><u>(181,885)</u></u>
Cash Flows from Financing Activities		
Proceeds from issue of shares (net of share issue costs)		340,608
Proceeds from subscription money held pending issue of shares		<u>4,552,392</u>
Net cash inflow (outflow) from financing activities		<u><u>4,893,000</u></u>
Net increase in cash and cash equivalents		<u><u>4,711,115</u></u>
Cash and cash equivalents at the beginning of the half-year		-
Cash and cash equivalents at end of the half-year		<u><u>4,711,115</u></u>

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

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This report is to be read in conjunction with the any public announcements made by Coppermoly Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The company was incorporated on 27 July 2007 and accordingly this is the first financial report to be presented.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Coppermoly Limited ("company" or "parent entity") as at 31 December 2007 and the results of all subsidiaries for the half-year then ended. Coppermoly Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(d)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Coppermoly Limited's functional and presentation currency.

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at half-year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Items of property, plant and equipment are depreciated over their estimated useful lives. The diminishing balance method is used. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Estimates of useful lives are made at the time of acquisition and varied as required. Expected useful lives are: Plant and Equipment between 4 years and 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(h) Trade and other payables

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

(i) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(k) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Potential shares as a result of options outstanding at the end of the half-year are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

(l) Exploration and evaluation expenditure

The company has adopted a policy of carrying forward exploration expenditures. Where the carrying amount exceeds the amount considered to be fair and reasonable by an independent consulting geologist or the board of directors, the directors will write down the exploration prospect accordingly. Where an exploration area is abandoned, the carrying amount attributable to that area will be written off in the income statement. If it is established that economically recoverable reserves in that area exist, the carrying amount attributable to that area will be amortised on a production output basis over the recoverable reserves.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, in particular when exploration for and evaluation of mineral resource in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the company has decided to discontinue such activities in the specific area.

Basis of Preparation and Going Concern Basis

The financial statements have been prepared on the going concern basis. As at 31 December 2007 the Company had net assets of \$2,225,044 and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 31 December 2007 the Company had \$4,711,115 in cash and cash equivalents.

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest. At this time the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2007. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

NOTE 2 SEGMENT INFORMATION

Primary reporting format – geographical segments.

	Half Year	Australia \$	Papua New Guinea \$	Consolidated \$
Segment revenue	2007	-	-	-
Segment results	2007	(282,000)	-	(282,000)

The entity operates predominantly in the mining industry. This comprises exploration and evaluation of copper – gold-(molybdenum) projects. Inter-segment transactions are priced at cost to the entity.

NOTE 3. CONTRIBUTED EQUITY AND RESRVES

(a) Equity Securities Issued

Issues during the half-year	2007 Shares	2007 \$
Seed Capital	10,000,000	500,000
Acquisition of tenements	40,000,000	1,440,000
	<u>50,000,000</u>	<u>1,940,000</u>
Issues and exercise or cancellation of options during the half-year	2007 Options	2007 \$
Issue of directors options	4,000,000	240,000
Issue of employee options	700,000	42,000
	<u>4,700,000</u>	<u>282,000</u>

(b) Reserves

	2007 \$
Directors options	240,000
Employee options	42,000
Foreign currency translation	3,044
	<u>285,044</u>

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The company was admitted to the official list of the ASX on Friday, 25 January 2008, having raised \$8,503,822.25 from the issue of 34,015,289 fully paid ordinary shares at an issue price of \$0.25 cents.

It should be noted that a significant part of the trade and other payables included in the balance sheet pertain to costs of the IPO which had not been completed as at 31 December 2007.

NOTE 5. CASH FLOW STATEMENT

31-Dec-07
\$

(a) Reconciliation of the exploration and evaluation expenditure:-

Movement in Balance Sheet for the half year

- Exploration and evaluation

178,495

Adjustment for Non Cash Items:-

- Exploration costs written off

Change in assets and liabilities:-

- Accounts payable and provisions

(1,738)

Net exploration and evaluation expenditure cashflow

176,757

NOTE 6. EXPLORATION COMMITMENTS

Exploration Expenditure Commitments

In order to maintain rights of tenure to exploration tenements the company and the consolidated entity are required to perform exploration work to meet the minimum expenditure requirements as specified by various governments. Outstanding obligations are not provided for in the accounts and are payable:

Not later than 1 year

300,000

Later than 1 year but not later than 2 years

100,000

400,000

Heavy Equipment Hire Agreement

In February 2008, subsequent to this report, Copper Quest PNG Ltd entered into a 12 month heavy equipment hire agreement. The terms of the agreement provide for extension or early termination. The \$ value shown here is based upon the assumption that the agreement will operate for the full initial twelve month period. This expense will form a part of, and is not additional to, the exploration expenditure commitment shown above.

Not later than 1 year

301,952

Later than 1 year but not later than 2 years

27,450

329,402

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

NOTE 7 CONTINGENT LIABILITIES

(i) The Macmin Royalty

By an agreement dated 12 June 2002 between Macmin NL, Macmin (PNG) Limited and New Guinea Gold Corporation (NGG Canada), NGG Canada indirectly acquired all rights, title and interests held by Macmin NL in respect of EL1043 (Nakru) and EL1077 (Simuku) through the purchase of all of the issued capital of Macmin (PNG) Limited (being a wholly owned subsidiary of Macmin NL).

Under the terms of the agreement NGG Canada granted a 1% net smelter return royalty (NSRR) in favour of Macmin NL payable in respect of all mineral products produced from the tenements upon being brought into production. The royalty remains attached to the tenements and becomes payable by the company upon the tenements being brought into production.

(ii) The Yeaman Trust Deed

Macmin NL's original application for EL1077 (Simuku) was lodged as agent for both itself and Mr William Stanley Yeaman (Yeaman). By two deeds of trust dated 5 June 1994 and 20 April 1996, respectively Yeaman is entitled to a 10% free carried interest (FCI) in the tenement. Upon the completion of a bankable feasibility study Yeaman must elect to convert his FCI to either a 10% fully contributing joint venture interest or a 2% gross royalty interest payable in respect of all products mined from the Simuku property.

(iii) Joint Financial Advisor and Sponsoring Broker

By an agreement dated 20 August 2007 the company agreed to pay fees to Novus Capital Limited (Novus) for its services in raising the IPO capital. As part of the fee agreement the company has a liability to issue 2,000,955 options, exercisable at \$0.30 cents (valued at \$0.06 cents per option at the time of issue) to Novus. These options were issued on 23 January 2008. They expire on 30 April 2011 and are subject to an escrow period until 31 January 2010.

Novus also has a right to be retained:

1. for a period of 24 months from the date of the company's official listing, in respect of any further capital raising as joint financial advisor, together with South Pacific Securities Limited (SPS), and as exclusive broker and lead manager, and
2. for a period of 12 months from the date of the company's official listing, as the exclusive investor relations adviser to the company for a monthly fee of \$6,000 (plus GST).

NOTE 8 DIVIDENDS

There was no dividend recommended during the reporting period.

NOTE 9 BUSINESS COMBINATIONS

On 12 October 2007 Coppermoly Ltd acquired all of the issued shares in Copper Quest PNG Ltd, for a cash consideration of 1 Kina.

Copper Quest PNG Ltd, at that time, had no assets, liabilities or goodwill. It is a company incorporated in PNG and is the applicant for the transfer of the Nakru and Simuku exploration properties and the subsidiary through which exploration activities in PNG are conducted.