MKY RESOURCES LIMITED
ABN 71 099 247 408

INTERIM FINANCIAL REPORT
31 DECEMBER 2008

CORPORATE DIRECTORY

Directors

Ian Hobson
Stephen McCaughey
Phillip Harman

Company Secretary

Ian Hobson

Auditors

Ord Partners
Level 1 47- 49 Stirling Highway
Nedlands WA 6009

Bankers

Westpac Banking Corporation
109 St Georges Terrace
Perth WA 6000

Registered Office

Suite 6,
245 Churchill Avenue
Subiaco WA 6008
Telephone: +61 8 9217 3300
Facsimile: +61 3 9388 3006
Email: ianhobson@bigpond.com

Share Registry

Link Market Services Limited
Level 12 680 George Street
Sydney NSW 2000

Investor Enquiries: (02) 8280 7111
Facsimile: (02) 9287 0303

Stock Exchange Listing

Securities of MKY Resources Limited are listed on the Australian Securities Exchange.

ASX Code: MKY

CONTENTS

DIRECTORS' REPORT

Your directors submit the financial report of MKY Resources Limited (the "Company") and subsidiaries (the "Consolidated Entity") 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 the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Ian Hobson
Stephen McCaughey - appointed 14 July 2008
Phillip Harman – appointed 9 February 2009
Alan Fitzpatrick - resigned 14 July 2008
Alan Blood – resigned 9 February 2009

Review and results of operations

During the half-year the principal activities of the Consolidated Entity consisted of:

1. Exploration of prospective uranium tenements in Queensland;
2. Application for prospective bauxite tenements in North Queensland; and
3. Due diligence for the acquisition of bauxite tenements in Cape York, North Queensland.

The Consolidated Entity progressed the exploration of uranium tenements in Northern Queensland by undertaking a drilling program on what was considered to be the most prospective tenement. However, despite initial encouraging results, the assays returned a disappointing outcome and the tenement value has been fully impaired.

At the annual general meeting held on 27 November 2008, shareholders approved the conditional acquisition of Delminco Pty Ltd, the holder of bauxite projects and uranium exploration properties. Satisfaction of the conditions precedent was extended by agreement of the parties from 30 November 2008 to 31 January 2009. The conditions precedent were not met by 31 January 2009 and the agreement for the acquisition of Delminco Pty Ltd has been terminated.

The operating loss for the half-year for the Consolidated Entity was $2,458,497 (2007:$351,085).

The half-year loss includes:

1. impairment of the uranium tenements of $1,975,000;
2. a share based payment for director's remuneration of $3,213; and
3. normal operating expenditure and costs associated with the development and exploration of mining tenements.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Ord Partners, to provide the directors with an independence declaration in relation to the review of the half-year financial report. This independence declaration forms part of the Directors' Report and is included on page 5.

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

On behalf of the directors

Ian Hobson
Director
Perth
11 March 2009

11 March 2009

O|R|D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

To the Board of Directors of MKY Resources Limited

Dear Sirs

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, in relation to the review of the financial report for the half-year ended 31 December 2008, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully
ORD PARTNERS

Robert Parker
Partner

Level 1, 47-49 Stirling Highway
NEDLANDS WA 6009
PO Box 3437
BROADWAY NEDLANDS
WA 6009
☎ +61 8 9321 3514
📠 +61 8 9321 3523
ord@ordnexia.com.au
www.ordnexia.com.au

CONDENSED CONSOLIDATED INCOME STATEMENT
For the half-year ended 31 December 2008

	Note	31 December 2008 $	31 December 2007 $
Revenue from continuing operations			
Interest income		94,905	106,323
Sundry income		56	-
Expenses			
Administrative expenses		(169,016)	(159,302)
Directors' remuneration	4	(208,321)	(92,500)
Exploration costs expensed as incurred		(201,121)	(205,606)
Impairment of mining tenements	7	(1,975,000)	-
Loss before income tax expense		**(2,458,497)**	**(351,085)**
Income tax expense		-	-
Loss for the half-year		**(2,458,497)**	**(351,085)**
Basic and diluted earnings per share (cents per share)		(0.50)	(0.07)

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

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	31 December 2008 $	30 June 2008 $
Current assets			
Cash and cash equivalents		2,702,260	3,315,056
Other receivables		66,545	14,220
Other assets		-	9,847
Total current assets		**2,768,805**	**3,339,123**
Non-current assets			
Plant and equipment		14,463	13,489
Mining tenements	7	-	1,975,000
Total non-current assets		**14,463**	**1,988,489**
Total assets		**2,783,268**	**5,327,612**
Current liabilities			
Trade and other payables		213,650	302,519
Total current liabilities		**213,650**	**302,519**
Total liabilities		**213,650**	**302,519**
Net assets		**2,569,618**	**5,025,093**
Equity			
Issued capital	5	26,338,716	27,183,716
Reserves	6	3,123	1,756,320
Accumulated losses		(23,772,221)	(23,914,943)
Total equity		**2,569,618**	**5,025,093**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2008

	Issued Capital $	Option Premium Reserve $	Share based Payments Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2007	27,183,716	1,756,320	-	(23,914,944)	5,025,092
Cost to redeem and cancel Performance Shares	(100)	-	-	-	(100)
Transfer to accumulated losses on redemption and cancellation of Performance Shares	(844,900)	-	-	844,900	-
Options expired	-	(1,756,320)	-	1,756,320	-
Options Issued	-	-	3,123	-	3,123
Loss for period	-	-	-	(2,458,497)	(2,458,497)
Balance at 31 Dec 2008	**26,338,716**	**-**	**3,123**	**(23,772,221)**	**2,569,618**

For the half-year ended 31 December 2007

	Issued capital $	Option Premium Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2006	24,354,461	1,756,650	(23,188,438)	2,922,673
Shares issued during the period	2,887,500	-	-	2,887,500
Capital raising costs	(190,575)	-	-	(190,575)
Options exercised	112,000	-	-	112,000
Transfer – option premium reserve	280	(280)	-	-
Loss for period	-	-	(351,085)	(351,085)
Balance at 31 Dec 2007	**27,163,666**	**1,756,370**	**(23,539,523)**	**5,380,513**

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the half-year ended 31 December 2008

	31 December 2008 $	31 December 2007 $
Cash flows from operating activities		
Payments to suppliers and employees	(387,072)	(215,468)
Exploration expenses	(315,761)	(175,966)
Interest received	94,905	106,188
Net cash flows used in operating activities	**(607,928)**	**(285,246)**
Cash flows from investing activities		
Acquisition of plant and equipment	(4,768)	(7,598)
Net cash flows used in investing activities	**(4,768)**	**(7,598)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	2,999,500
Payment of share issue costs	-	(190,575)
Payment to redeem performance shares	(100)	-
Net cash flows provided by/(used in) financing activities	**(100)**	**2,808,925**
Net increase/(decrease) in cash and cash equivalents	**(612,796)**	**2,516,081**
Cash and cash equivalents at beginning of the half-year	3,315,056	1,271,853
Cash and cash equivalents at end of the half-year	**2,702,260**	**3,787,934**

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

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2008

1. Statement of significant accounting policies

Statement of compliance

The condensed half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: "Interim Financial Reporting".

The condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Basis of preparation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The condensed consolidated financial statements have been prepared on the basis of historical cost except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the condensed half-year report, the half-year has been treated as a discrete reporting period.

Adoption of new and revised accounting standards

In the half-year ended 31 December 2008, the Consolidated Entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008.

It has been determined by the Consolidated Entity that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Consolidated Entity accounting policies.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this half-year report, the significant judgements made by management in applying the accounting policies of the Consolidated Entity and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2008.

In the half-year ended 31 December 2008, management reassessed its estimates in respect of impairment and introduced share based payments.

Impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The impairment loss recorded in the current half-year year is $1,975,000 (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2008

1. Statement of significant accounting policies (continued)

Share Based Payments

The Consolidated Entity measures the cost of equity settled transactions with directors by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value of options granted is:

1. recognised as a director's emolument expense with a corresponding increase in equity (share based payments reserve);

2. measured at the grant date using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option; and

3. adjusted to reflect market vesting conditions. At each reporting date, the Consolidated Entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The number of options issued and the assumptions used to determine the fair value of those options issued in the half-year period are detailed in Note 6.

2. Segment Information

Business Segment

The Consolidated Entity is an explorer of prospective uranium tenements in northern Queensland.

The business of advertising on tables located in shopping centres ceased during the period.

Geographical Segment

The Consolidated Entity is domiciled in Australia and operates solely within Australia.

2008	Advertising	Exploration	Unallocated	Total Continuing Operations
	$	$	$	$
Segment revenue				
Unallocated revenue	-	-	-	-
Consolidated revenue	-	-	-	-
Interest Income	-	-	94,905	94,905
Sundry Income	-		56	56
Segment result				
Loss before Income tax	-	(2,176,121)	(282,376)	(2,458,497)
Income tax expense	-	-	-	-
Loss for the period	-	**(2,176,121)**	**(282,376)**	**(2,458,497)**
Segment assets and liabilities				
Segment assets	-	-	**2,783,268**	**2,783,268**
Segment liabilities	-	**160,416**	**53,234**	**213,650**

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2008

2. Segment Information (continued)

2007	Advertising	Exploration	Unallocated	Total Continuing Operations
	$	$	$	$
Segment revenue				
Unallocated revenue	-	-	-	-
Consolidated revenue	-	-	-	-
Interest Income	-	-	106,323	106,323
Segment result				
Loss before Income tax	-	(205,606)	(145,479)	(351,085)
Income tax expense	-	-	-	-
Loss for the period	-	**(205,606)**	**(145,479)**	**(351,085)**
Segment assets and liabilities				
Segment assets	-	**1,975,000**	**3,352,612**	**5,327,612**
Segment liabilities	-	**215,967**	**86,552**	**302,519**

3. Dividends

No dividends have been paid or provided for during the half-year.

4. Loss Before Income Tax Expense

	31 December 2008 $	31 December 2007 $
The following expense items are relevant in explaining the financial performance for the half-year:		
Employee benefits expense:		
Salaries and fees	192,915	92,500
Share based payments	3,123	-
Post employment benefits (superannuation)	10,162	-
Other employee benefits	2,121	-
	208,321	92,500
Depreciation expense	3,794	2,548

5. Issued Capital

The converting performance shares issued to Gameday Enterprises Pty Ltd on 30 April 2007 as part-consideration for the acquisition of Queensland Uranium Pty Ltd were redeemed on 31 October 2008 for $100 as the exploration results were not sufficient to meet the performance hurdles within 18 months from settlement.

6. Options & Reserves

54,800,000 options exercisable on or before 31 December 2008 were not exercised by the option holders and expired on that date.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2008

6. Options & Reserves (continued)

On 1 July 2008 the Company entered into a services agreement with Stephen McCaughey pursuant to which he was appointed managing director of the Company effective from 14 July 2008. Pursuant to the terms of the services agreement, the Company agreed to issue him (or his nominee) with 5,000,000 shares and 45,000,000 director options for nil consideration, subject shareholder approval and service of a minimum term as managing director.

The primary purpose of the grant of options to Stephen McCaughey is to provide a market linked incentive package in his capacity as managing director and for the future performance by him in his role.

In determining the number of options to be granted, the exercise prices and the vesting conditions, the Company's board of directors considered the extensive experience and reputation of Stephen McCaughey within the mining industry, the market price of the Company's shares, and current market practices in remuneration.

At the annual general meeting held on 27 November 2008, shareholders approved the issue of a total of 45,000,000 director options exercisable on or before 31 May 2012 to Stephen McCaughey. The options were allotted on 19 December 2008. Pursuant to the service agreement with Stephen McCaughey, and subject to shareholder approval, 5 million ordinary shares are to be issued to him after he has served two years with the Company.

No tranche of the 45,000,000 options can vest until Stephen McCaughey has served as managing director for 2 years from appointment. In addition to that tenure vesting condition, 30,000,000 of the options can not vest unless the quoted share price is at or above certain price for consecutive periods.

The fair value of the options is determined using the Black Scholes model. Where the options are subject to the additional trading price barrier conditions, the probability of the vesting conditions being achieved is taken into account when determining the fair value of those options.

Further details on the options and the assumptions applied in Black Scholes model to determine the fair value are as follows:

	Unlisted options exercisable on or before 31 May 2012			
Black Scholes valuation	Tranche 1	Tranche 2	Tranche 3	
Exercise price	2 cents	4 cents	6 cents	
No of options	5,000,000	5,000,000	5,000,000	
Grant date	27 Nov 2008	27 Nov 2008	27 Nov 2008	
Expiry Date	31 May 2012	31 May 2012	31 May 2012	
Vesting condition: Minimum years of service	2	2	2	
Share Price at grant date	0.7 cent	0.7 cent	0.7 cent	
Risk-free rate	4.25%	4.25%	4.25%	
Volatility	100%	100%	100%	
Fair value at grant date	0.33 cents	0.24 cents	0.20 cents	
Black Scholes valuation with market conditions	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Exercise price	1 cents	1 cents	1 cents	1 cent
No of options	5,000,000	5,000,000	5,000,000	15,000,000
Grant date	27 Nov 2008	27 Nov 2008	27 Nov 2008	27 Nov 2008
Expiry Date	31 May 2012	31 May 2012	31 May 2012	31 May 2008
Vesting condition: Minimum years of service	2	2	2	2
Minimum quoted share price before options can be exercised	5 cents	7.5 cents	10 cents	20 cents
Share Price at grant date	0.7 cent	0.7 cent	0.7 cent	0.7 cent
Risk-free rate	4.25%	4.25%	4.25%	4.25%
Volatility	100%	100%	100%	100%
Fair value at grant date	0.21 cents	0.086 cents	0.0215 cents	0.0021 cents

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2008

6. Options & Reserves (continued)

Volatility of 100% has been assumed as reasonable by reference to the movement in the daily closing share price of the Company over the 12 months prior the grant date of the options (volatility of approximately 140%), and the movement in the daily closing share price subsequent to the decline in the share market since June 2008 (volatility of approximately 100%).

The options have:

1. an average value of 0.12 of 1 cent;
2. a total fair value of $55,555 for the total 45 million options; and
3. a remaining contractual life at the end of the half-year of 3 years 5 months.

The total value will be expensed to director's emoluments and taken to the share based payments reserve as the life of the options reduces. For the half-year, $3,123 has been expensed and taken to the reserve.

At each reporting date, the Consolidated Entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Pursuant to the service agreement with Stephen McCaughey, and subject to shareholder approval, 5 million ordinary shares are to be issued to him after he has served two years with the Company.

Nature and Purpose of Reserves

The option premium reserve arises pursuant to an issue of options for consideration pursuant to a capital raising.

The share based payments reserve arises pursuant to an issue of shares or options as consideration for a service or an acquisition transaction.

7. Mining Tenements

	Consolidated	
	31 December 2008	30 June 2008
	$	$
Opening balance	1,975,000	1,775,000
Additions	-	200,000
Impairment	(1,975,000)	-
Closing balance 31 December	**-**	**1,975,000**

The results of the exploration program completed in the period were disappointing to the extent that the value of the mining tenements has been fully impaired following the redemption of the Converting Performance Shares issued as part consideration for the tenements.

8. Events occurring after the balance sheet date

Conditional acquisition not proceeding

At the annual general meeting held on 27 November 2008, shareholders approved the conditional acquisition of Delminco Pty Ltd. Satisfaction of the conditions precedent was extended by agreement of the parties from 30 November 2008 to 31 January 2009. The conditions precedent were not met by 31 January 2009 and the agreement for the acquisition of Delminco Pty Ltd has been terminated.

On 9 February 2008 Phillip Harman was appointed as a director and Alan Blood resigned as a director. Phillip Harman replaced Alan Blood as Chairman.

NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2008

9. Contingent Assets and Liabilities

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

10. Related Party Disclosure

During the half-year ended 31 December 2008, salaries, superannuation and fees were paid to directors and company secretary related entities for services rendered amounting to $208,321 (2007:$92,500), inclusive of a share based payment to a director of $3,123, the details of which are set out in Note 6.

DIRECTORS' DECLARATION

In the opinion of the directors:

(a) the financial statements and notes of the Consolidated Entity set out on pages 6 to 15:

(i) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the Consolidated Entity; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001.

Ian Hobson
Director
Perth
11 March 2009

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MKY RESOURCES LIMITED

ORD PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

Report on the Half-Year Financial Report

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

Directors' responsibility for the 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 controls 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MKY Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of MKY Resources Limited on 11 March 2009.

Level 1, 47-49 Stirling Highway
NEDLANDS WA 6009
PO Box 3437
BROADWAY NEDLANDS
WA 6009
☎ +61 8 9321 3514
🖷 +61 8 9321 3523
☎ +61 8 9321 3514
🖷 +61 8 9321 3523
ord@ordnexia.com.au
www.ordnexia.com.au

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ORD PARTNERS
Chartered Accountants

Robert Parker

Perth, 11 March 2009