



Altera Resources Ltd

ABN 55 082 541 437

**FINANCIAL REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER 2009**

| | |
|-------------------|---|
| DIRECTORS | Harjinder Kehal (Chairman) Jeremy Shervington Bradley Abbott Dr Nick Archibald |
| SECRETARY | Bradley Abbott |
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| SOLICITORS | Jeremy Shervington 52 Ord Street WEST PERTH WA 6005 |
| BANKERS | National Australia Bank 100 St Georges Terrace, PERTH WA 6000 |
| AUDITORS | Ernst & Young 11 Mounts Bay Road PERTH WA 6000 |
| SHARE REGISTRY | Advanced Share Registry Services 150 Stirling Hwy, NEDLANDS WA 6009 Tel: +61 8 9389 8033 Fax: +61 8 93897871 Email: admin@advancedshare.com.au Web: www.arshareholders.com.au |

CONTENTS

| | |
|--|----|
| Directors' Report | 1 |
| Statement of Comprehensive Income | 3 |
| Statement of Financial Position | 4 |
| Statement of Cash Flows | 5 |
| Statement of Changes in Equity | 6 |
| Notes to the Financial Statements | 7 |
| Directors' Declaration | 12 |
| Independent Review Report to the Members | 13 |
| Auditor Independence Declaration | 14 |

Directors' Report

The directors hereby present the following report for the half-year ended 31 December 2009.

The following persons were directors of the company during the whole of the half-year end and up to the date of this report, unless otherwise stated:

Godfrey Rule – Executive Director (resigned 17/11/2009)
Harjinder Kehal – Executive Director (Chairman)
Jeremy Shervington – Non Executive Director
Bradley Abbott – Non Executive Director
Dr Nick Archibald – Non Executive Director (appointed 1/12/2009)

REVIEW & RESULTS OF OPERATIONS

Inglewood Coal Joint Venture

During the six months to 31 December 2009 the company signed an agreement to enter into a Joint Venture (“JV”) with Dragon Energy Ltd (Dragon) on its Queensland Coal Project Exploration Permits for Coal (EPC) in the Surat/Clarence-Moreton and Bowen Basins covering an area of 5,626 km². The commencement date of the JV will be the first date by which at least six of the EPC's have been granted (including EPC 1664 near Toowoomba which has now been granted).

The Company is pleased to announce the grant of 3 EPC's (EPC 1649, EPC 1652 EPC 1664) which were granted before 31 December 2009 and a further 2 EPC's (1660 and 1665 for a term of 5 years each) have been offered by the DME Queensland for grant. The Company advises that the remainder of the EPC applications are going through the grant process and expects them to be granted early in the June Quarter 2010.

The terms of the “Inglewood Coal Joint Venture” involve expenditure of at least \$3.5 million over 3 years to earn an 85% interest. The first year's commitment by Dragon will be \$0.5 million in exploration expenditure plus rents and environmental bonds, with second and third year expenditure commitments of \$1.5 million each.

Once Dragon has earned an 85% interest, Altera has the option to sell the remaining 15% interest in the Project to Dragon for an amount as agreed between Dragon and Altera and failing an agreement an amount determined by an independent expert. Subject to the above option, Altera will retain a 15% free carried interest until decision to mine.

Gascoyne Base Metals Project

The Company also continued to work on the Gascoyne Base Metal Project (GBMP) located approximately 250 km to the east of Carnarvon in the Gascoyne region of Western Australia. GBMP is a joint venture between Altera and ABM Resources NL, whereby Altera is earning a 65% interest in GBMP.

A program of rock chip sampling was completed and a total of 20 rock chip samples were collected. All samples were collected from outcrop or float and are, predominantly, of vein quartz and ferruginous/gossanous material. Assaying was directed towards the discovery of stratabound lead-zinc-(copper) mineralisation of a Broken Hill style. The results of this program are compatible with the rock chip and drill sampling programs completed previously on the project.

Corporate

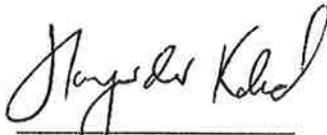
The Company undertook detailed assessments and reviews of several projects, in particular to expand upon its existing coal exploration interests.

The Company incurred an after tax operating loss for the half year ended 31 December 2009 of \$394,087 (half year ended 31 December 2008 loss of \$445,600).

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 14 and forms part of this report.

Signed in accordance with a resolution of the directors



Harjinder Kehal
Chairman

West Perth, Western Australia
15 March 2010

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| | <i>Notes</i> | 2009 \$ | 2008 \$ |
|--|--------------|------------------|------------------|
| Continuing operations | | | |
| Revenue | 2 | 13,603 | 47,160 |
| Other expenses | 2 | <u>(407,690)</u> | <u>(492,760)</u> |
| Loss from continuing operations before income tax | | (394,087) | (445,600) |
| Income tax expense | 4 | <u>-</u> | <u>-</u> |
| Loss from continuing operations after income tax | | <u>(394,087)</u> | <u>(445,600)</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>(394,087)</u> | <u>(445,600)</u> |
| Loss per share (cents per share) | | | |
| - basic and diluted loss for the half-year | 3 | (1.93) cents | (2.18) cents |

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

Statement of Financial Position

AS AT 31 DECEMBER 2009

Notes

| | | <i>As at</i> 31 December 2009 \$ | <i>As at</i> 30 June 2009 \$ |
|--|----|--|------------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 730,024 | 1,027,543 |
| Trade and other receivables | | 19,467 | 10,378 |
| Total Current Assets | | <u>749,491</u> | <u>1,037,921</u> |
| Non-Current Assets | | | |
| Property, plant & equipment | | 18,491 | 22,211 |
| Exploration and Evaluation Expenditure | 12 | - | 50,000 |
| Total Non-Current Assets | | <u>18,491</u> | <u>72,211</u> |
| TOTAL ASSETS | | <u>767,982</u> | <u>1,110,132</u> |
| LIABILITIES | | | |
| Trade and other payables | | 108,299 | 55,882 |
| Provisions | | 1,494 | 1,974 |
| Total Current Liabilities | | <u>109,793</u> | <u>57,856</u> |
| TOTAL LIABILITIES | | <u>109,793</u> | <u>57,856</u> |
| NET ASSETS/LIABILITIES | | <u>658,189</u> | <u>1,052,276</u> |
| EQUITY | | | |
| Contributed equity | 5 | 3,845,025 | 3,845,025 |
| Reserves | | 24,098 | 24,098 |
| Accumulated Losses | | (3,210,934) | (2,816,847) |
| TOTAL EQUITY | | <u>658,189</u> | <u>1,052,276</u> |

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| | <i>Notes</i> | 2009 | 2008 |
|--|--------------|-----------------------|-------------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (311,072) | (453,692) |
| Interest received | | 13,553 | 49,932 |
| Net cash outflows used in operating activities | | <u>(297,519)</u> | <u>(403,760)</u> |
| Cash flows from investing activities | | | |
| Payments for Property, Plant & Equipment | | - | - |
| Net cash flows used in investing activities | | <u>-</u> | <u>-</u> |
| Net decrease in cash and cash equivalents held | | (297,519) | (403,760) |
| Cash and cash equivalents at beginning of the half year | | <u>1,027,543</u> | <u>1,666,303</u> |
| Cash and cash equivalents at end of the half year | | <u><u>730,024</u></u> | <u><u>1,262,543</u></u> |

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| 31 December 2009 | Issued Capital | Accumulated losses | Share Option Reserves | Total Equity |
|---|-----------------------|---------------------------|------------------------------|---------------------|
| COMPANY | | | | |
| As at 1 July 2009 | 3,845,025 | (2,816,847) | 24,098 | 1,052,276 |
| Total comprehensive income for the period | - | (394,087) | - | (394,087) |
| As at 31 December 2009 | 3,845,025 | (3,210,934) | 24,098 | 658,189 |

| 31 December 2008 | Issued Capital | Accumulated losses | Share Option Reserves | Total Equity |
|---|-----------------------|---------------------------|------------------------------|---------------------|
| COMPANY | | | | |
| As at 1 July 2008 | 3,845,025 | (2,153,071) | 24,098 | 1,716,052 |
| Total comprehensive income for the period | - | (445,600) | - | (445,600) |
| As at 31 December 2008 | 3,845,025 | (2,598,671) | 24,098 | 1,270,452 |

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Corporate Information

1 Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by the Company during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Adoption of new and amending Accounting Standards and Interpretations

From 1 July 2009 the Company has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009 including:

- AASB 101 (Revised) Presentation of Financial Statements: The revised standard prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:
 - 1 The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
 - 2 The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- AASB 8 Operating Segments: This standard adopts a management reporting approach to segment reporting and replaces the requirement to determine primary and secondary reporting segments.

Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

The Company has not elected to early adopt any new standards or amendments that are issued but not yet effective.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

| | 31 December 2009 \$ | 31 December 2008 \$ |
|--|---------------------------|---------------------------|
| 2. REVENUE, INCOME AND EXPENSES | | |
| Revenue, Income and Expenses from Continuing Operations | | |
| REVENUE | | |
| Interest Income | 13,603 | 47,160 |
| Total revenue | <u>13,603</u> | <u>47,160</u> |
| OTHER EXPENSES | | |
| Exploration expenditure | 178,271 | 239,147 |
| Depreciation Expense | 3,720 | 6,396 |
| Administration and occupancy expenses | | |
| - Annual Report Production & Distribution | 25,560 | 27,189 |
| - Auditors Remuneration | 9,250 | 19,541 |
| - Directors fees (including superannuation) | 45,416 | 89,994 |
| - Rent & Outgoings | 16,800 | 17,802 |
| - Other | 128,673 | 92,691 |
| Total expenses | <u>407,690</u> | <u>492,760</u> |
| | Cents | Cents |
| 3. EARNINGS PER SHARE | | |
| Basic and Diluted Loss per share | (1.93) | (2.18) |

Weighted average number of ordinary shares used in the calculation of basic loss per share is 20,453,363 (2008: 20,453,363). Options are considered to be potential ordinary shares. Options to purchase ordinary shares not exercised at 31 December 2009 have not been included in the determination of diluted loss per share, as the Company is loss making and hence their inclusion is anti-dilutive.

4. INCOME TAX

No income tax is payable due to the current year loss. No deferred tax asset is raised in respect of losses as it is not probable that any taxable profits will be earned to utilise available tax losses.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

5. CONTRIBUTED EQUITY

| | 31 December 2009 \$ | 30 June 2009 \$ |
|---|---------------------------|-----------------------|
| <i>Ordinary shares</i> | | |
| 20,453,363 issued and fully paid shares (June 2009: 20,453,363) | 4,090,670 | 4,090,670 |
| Less capital raising costs | (245,645) | (245,645) |
| | <u>3,845,025</u> | <u>3,845,025</u> |

As at 30 June 2008, 20,453,363 ordinary shares were on issue.

6. OPERATING SEGMENTS

AASB 8 (IFRS 8) requires operating segments to be identified on the basis of internal reports that are used by the chief operating decision makers ("CODM") in order to allocate resources to the segment and to assess its performance. The CODM of the Company are the Board of Directors.

For management purposes, the Company is organised into one main operating segment, which involves the exploration of minerals in Australia. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

7. CASH AND CASH EQUIVALENTS

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following as at 31 December:

| | 2009 \$ | 2008 \$ |
|--------------------------|----------------|------------------|
| Cash at bank and in hand | 48,947 | 69,382 |
| Short-term deposits | 681,077 | 1,193,161 |
| TOTAL | <u>730,024</u> | <u>1,262,543</u> |

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

8. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the half-years ended 31 December 2009 and 2008:

| Related Party | | Professional fees \$ | Directors Fees \$ |
|--|------------|----------------------------|-------------------------|
| Key management personnel of the Group: | | | |
| - Godfrey Rule | 31/12/2009 | 15,750 | 27,250 |
| | 31/12/2008 | 18,900 | 32,700 |
| - Harjinder Kehal | 31/12/2009 | 28,920 | 18,165 |
| | 31/12/2008 | 40,800 | 21,798 |
| - Jeremy Shervington | 31/12/2009 | - | - |
| | 31/12/2008 | - | 21,798 |
| - Bradley Abbott & Abbott's Pty Ltd * | 31/12/2009 | 57,028 | - |
| | 31/12/2008 | 29,332 | 21,798 |
| -Dr Nick Archibald | 31/12/2009 | - | - |
| | 31/12/2008 | - | - |

*Bradley Abbott is a Director of Abbott's Pty Ltd which has provided accounting and company secretarial services to the Company under normal terms and conditions.

9. CONTINGENCIES AND COMMITMENTS

Exploration Expenditure Commitments

There are no legally enforceable expenditure commitments under the joint venture agreement with ABM Resources NL. Expenditures are discretionary on the part of the company, which has the right pursuant to clause 4.1(a) and (b) of the joint venture agreement to terminate the agreement with 30 days written notice. However ongoing annual exploration expenditure is required to maintain an interest in the Company's mineral exploration tenements.

Detailed below are the share of the company's commitments for the Gascoyne Joint Venture tenements with ABM Resources NL estimated for the year to 31/12/2010:

| Tenement | 2010 | 2009 |
|----------|-----------|-----------|
| E09/1074 | \$50,000 | \$45,000 |
| E09/1266 | \$52,500 | \$70,000 |
| E09/62 | \$14,900 | \$14,900 |
| Total | \$117,400 | \$129,900 |

Detailed below are the company's expenditure commitments for the Inglewood Coal Joint Venture EPCs with the Queensland Mines and Energy that have been granted as at 31 December 2009. Once the Joint Venture comes into effect at the end of March 2010, it will become Dragon Energy Ltd's responsibility to fulfil these Statutory exploration commitments.

| EPC | 2010 | 2009 |
|-------|----------|------|
| 1649 | \$30,000 | - |
| 1652 | \$30,000 | - |
| 1664 | \$15,000 | - |
| Total | \$75,000 | - |

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

The Company's expenditure on Joint Venture tenements has been expensed in accordance with the Company's accounting policy for Exploration and Evaluation.

Contingent Liabilities

Native Title Claims

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest in a jointly controlled asset. It is impossible at this stage to quantify any impact the existence of native title may have on the operations of the Company. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

10. SUBSEQUENT EVENTS

The Company conducted an underwritten pro rata entitlement offer to eligible shareholders ("entitlement offer") which closed on 20 January 2010.

Acceptances for 8,247,241 shares (and attaching options) were received and the shortfall of 8,115,449 shares (and attaching options) has been placed with the underwriter and or their nominees.

Pursuant to the placement arrangement also announced during the quarter, 5,217,884 shares and attaching options have been issued to Blackwood Capital Ltd and or their nominees.

The funds raised from the entitlement offer will be used for working capital purposes and, in particular, to fund the ongoing efforts by the Company to acquire supplementary assets to its existing coal and base metal interests.

A Gross amount of \$2,589,669 was raised less direct capital raising costs of \$251,896, with further legal & professional costs to be invoiced to the company, which at the date of signing this report were yet to be quantified.

Directors' fees for the period March – December 2009 have not been included in these financial statements for Bradley Abbott, Jeremy Shervington and Nick Archibald, as the Board had agreed to suspend their fees in February 2009. As such the Company did not have a present legal obligation as at 31 December 2009. In March 2010, subsequent to the capital raising, the Board resolved to honour the outstanding directors' fees.

There are legal fees owing to the Company's legal counsel Mr. Jeremy Shervington, a related party, representing amounts yet to be determined in relation to services provided up to 31 December 2009. At 31 December 2009, the Company did not have a present obligation for this amount.

11. DIVIDENDS

No dividends were paid or declared by the Company during the half year.

12. EXPLORATION AND EVALUATION EXPENDITURE

During the current half year ended 31 December 2009 the carrying value of an exploration asset was reviewed for impairment. As a result of that review the directors consider that exploration and evaluation expenditure relating to Gascoyne Base Metals Project is unlikely to be recovered in full from successful development or by sale. Accordingly, \$50,000 in impairment loss has been recognised in the statement of Comprehensive Income for the half year ended 31 December 2009.

Directors' Declaration

In accordance with a resolution of the directors of Altera Resources Ltd, I state that:

In the opinion of the directors:

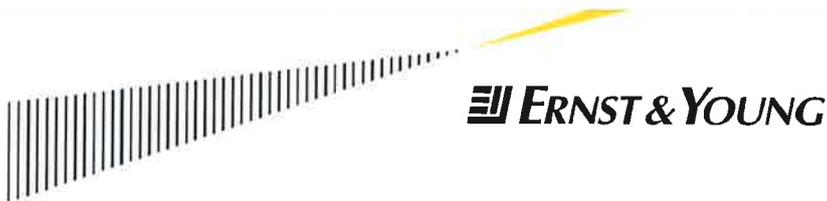
- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 31 December 2009 and by the performance for the half-year ended on that date of the Company; and
 - (ii) comply with Accounting 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.

On behalf of the Board



Harjinder Kehal
Chairman

West Perth, Western Australia
15 March 2010



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To the members of Altera Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Altera Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

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 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 Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 entity's financial position as at 31 December 2009 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 Altera Resources Limited during the half-year, 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.

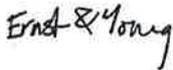
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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

- (i) giving a true and fair view of the entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, likely belonging to J C Palmer.

J C Palmer
Partner
Perth
15 March 2010



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Auditor's independence declaration to the Directors of Altera Resources Limited

In relation to our review of the financial report of Altera Resources Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'J C Palmer', written over a horizontal line.

J C Palmer
Partner
Perth
15 March 2010