



GLENGARRY RESOURCES LIMITED

Annual Report 2009





## Annual Report – 30 June 2009

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# Corporate Directory

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## Directors

K G McKay BSc (Hons), FAusIMM, MAICD  
*Non-Executive Chairman*

D P Gordon B.Bus, CA, FFin, ACIS, MAICD  
*Managing Director*

G T Clifford B.Bus, FCPA, FCIS  
*Non-Executive Director*

D M Murcia B.Juris, LL.B  
*Non-Executive Director*

## Secretary

G A James, B.Bus, CA, ACIS

## Share Register

Advanced Share Registry Limited  
150 Stirling Highway  
Nedlands WA 6009  
Telephone (08) 9389 8033

## Auditor

KPMG  
Chartered Accountants  
235 St Georges Terrace  
Perth WA 6000

## Bankers

National Australia Bank  
1232 Hay Street  
West Perth WA 6005

## Stock Exchange Listing

Glengarry Resources Limited shares are listed on the  
Australian Securities Exchange

Ordinary fully paid shares (ASX code: GGY)

## Principal Registered Office in Australia

Mezzanine Level  
35 Havelock Street  
West Perth WA 6005  
(PO Box 975, West Perth WA 6872)

Telephone	(08) 9322 4929
Facsimile	(08) 9322 5510
Email	info@glengarry.com.au
Website	www.glengarry.com.au



# Chairman's Report

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On behalf of all Directors of Glengarry Resources Limited, I am pleased to present the Company's Annual Report for the financial year to the 30<sup>th</sup> of June 2009.

The 2008/2009 financial year has been one of significant change for Glengarry. The first seven months of the year saw a "business as usual" approach with the Company continuing with its dual focussed strategy of conducting exploration on its Australian projects and undertaking evaluations of potential merger and acquisition opportunities.

In early April 2009, major shareholder Kagara Ltd unexpectedly elected to divest its 19.8% shareholding in Glengarry. The holding was purchased by a group of private investors lead by experienced mining executive Mr Darren Gordon. As a result, several key Board and Senior Management changes were implemented. Mr Gordon was appointed Managing Director and Mr Didier Murcia replaced Mr Bill Manning as a Non-Executive Director. Mr Gordon has a personal shareholding holding in Glengarry of 15.4%.

The new Board elected to initiate a revised business plan and strategy focussed exclusively on securing an advanced mineral project or projects capable of being developed within 24 months. As a result, the Company's exploration program on in-house projects was immediately put on hold and the last five months has seen a concerted effort in identifying and assessing potential acquisition opportunities.

The general downturn in the resource industry over the last twelve to eighteen months has resulted in a number of quality assets becoming available and I am very confident that we will secure a mineral property that can deliver a strong cash flow to the Company in the near future.

Glengarry is in a fortunate financial position with strong cash reserves as a result of the timely divestment of several non-core assets prior to the collapse of metal prices in the 4<sup>th</sup> quarter of 2008. The Company commenced the 2008/2009 financial year with cash reserves of \$5.1 million and this position was significantly boosted with the finalisation of the sale of the Maitland Copper Deposit for \$6.5 million cash in early September 2008. I am pleased to report that the cash position at the date of writing this report is still a very healthy \$9.1 million.

Our strong cash position is clearly a strategic advantage when it comes to competing for mineral assets owned or controlled by other parties. The Company's general administration costs have been reduced to preserve available funds and the Directors, including the Managing Director, have taken voluntary cuts of some 30% in their remuneration.

I would like to take this opportunity to welcome both Darren Gordon and Didier Murcia to the Board. Darren has a financial background and most recently was Chief Financial Officer for emerging iron ore producer Gindalbie Metals. Didier has a legal background and he specialises in providing strategic, corporate and commercial advice to the resource industry. I have worked with both Darren and Didier at a Board level in the past and have considerable confidence in their abilities to help transition Glengarry into the ranks of the mineral producers.

I'd also like to thank Mr Geoff James, our Chief Financial Officer for his sterling contribution in the last year.

In conclusion, to our Shareholders, I'd like to thank you for your continued support. My fellow Directors and I are also shareholders in Glengarry and we look forward to enjoying with you a significant increase in shareholder value in the Company in the next twelve months.



Keith G McKay  
Chairman

21 September 2009



# Operations Review

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## Review

The 2009 financial year has been a period of change for Glengarry. During the first half of the year, the Company focussed on exploration on several of its wholly owned projects whilst other parties managed exploration on a number of joint venture projects. Also during this period, the Company completed the sale of the Greenvale Project located in North Queensland to Kagara Ltd for a consideration of \$6.5 million cash and a royalty of \$5 per tonne on all ore milled from the Greenvale tenements in excess of 1 million tonnes.

During the second half of the financial year there were a number of structural changes within the Company. These changes commenced with the change of the Company's largest shareholder, followed by changes to the Board and Management and concluded with a change in the Company's overall strategic direction. Previously, the Company had predominantly pursued early stage exploration opportunities but it now has a much stronger focus on identifying and securing a near term production asset.

Specifically, the Company is now looking to leverage off its relatively strong cash position to secure a project or projects that are capable of being developed within 24 months to deliver a strong cash flow to the Company. The preference is for gold, iron ore or base metal projects that already have an established resource and which can be acquired at the asset level. Whilst the initial focus is on high grade projects with low capital costs, the key is identifying and securing projects that can demonstrate that they will be profitable for Glengarry in a development scenario.

We have commenced the search for a project or projects in line with our newly formed strategy and the Company is confident that it will secure an asset that fits the established parameters in the near future.

Our new business plan is not dissimilar to that which a number of other companies are trying to achieve in the market, but our strength in assessing opportunities is our high quality Board and relatively strong cash position.

In respect to our existing wholly owned Projects, we are currently reviewing the timing of future work programs as the Projects do not presently meet our newly established criteria for the allocation of exploration funds.

## Exploration Projects

### *Project Generation*

During the year a number of new project opportunities were reviewed, with particular emphasis during the second half of the financial year of securing projects that can deliver a strong cash flow to the Company. Most projects did not fit the Company's criteria for further consideration but several Projects were reviewed in detail.

The Company continues to maintain an active program of project generation activities.

### *Citadel Copper/Gold Project (GGY 100%)*

The Citadel Project is an exploration project located approximately 100 kilometres north of Newcrest's multi-million ounce Telfer Gold Mine in the Kimberley region of Western Australia (Figure 1).

Previous exploration by other companies within the Citadel project area discovered high grade copper/gold mineralisation at the Magnum prospect. Mineralisation, which includes intersections up to 8 metres @ 4.4% copper and 15 metres @ 14.1 g/t gold, remains open along strike and at depth.

During the year Glengarry rehabilitated a 100 kilometre access track into the northern part of the Project area and Aboriginal Heritage surveys were completed over planned drill sites defined by a review of previous exploration work. In early January 2009 the exploration licence applications for the southern portion of the Citadel Project were granted. All exploration licences have now been granted for the entire Project area.



# Operations Review (continued)

Other work completed during the year was the relogging of selected diamond core holes that had intersected high grade gold and copper mineralisation at the Magnum prospect. Information from the holes which were drilled in 1998 and 1999 will help constrain priority targets and aid in the overall interpretation over the Magnum prospect.

As a result of the new corporate strategy, the Company is currently reviewing the timing of any future work programs at Citadel as the Project does not presently meet our newly established criteria for the allocation of exploration funds.

A detailed Information Memorandum on the Project has recently been completed and will be used to promote the Citadel Project to parties interested in acquiring a stake to assist in exploring the project further.

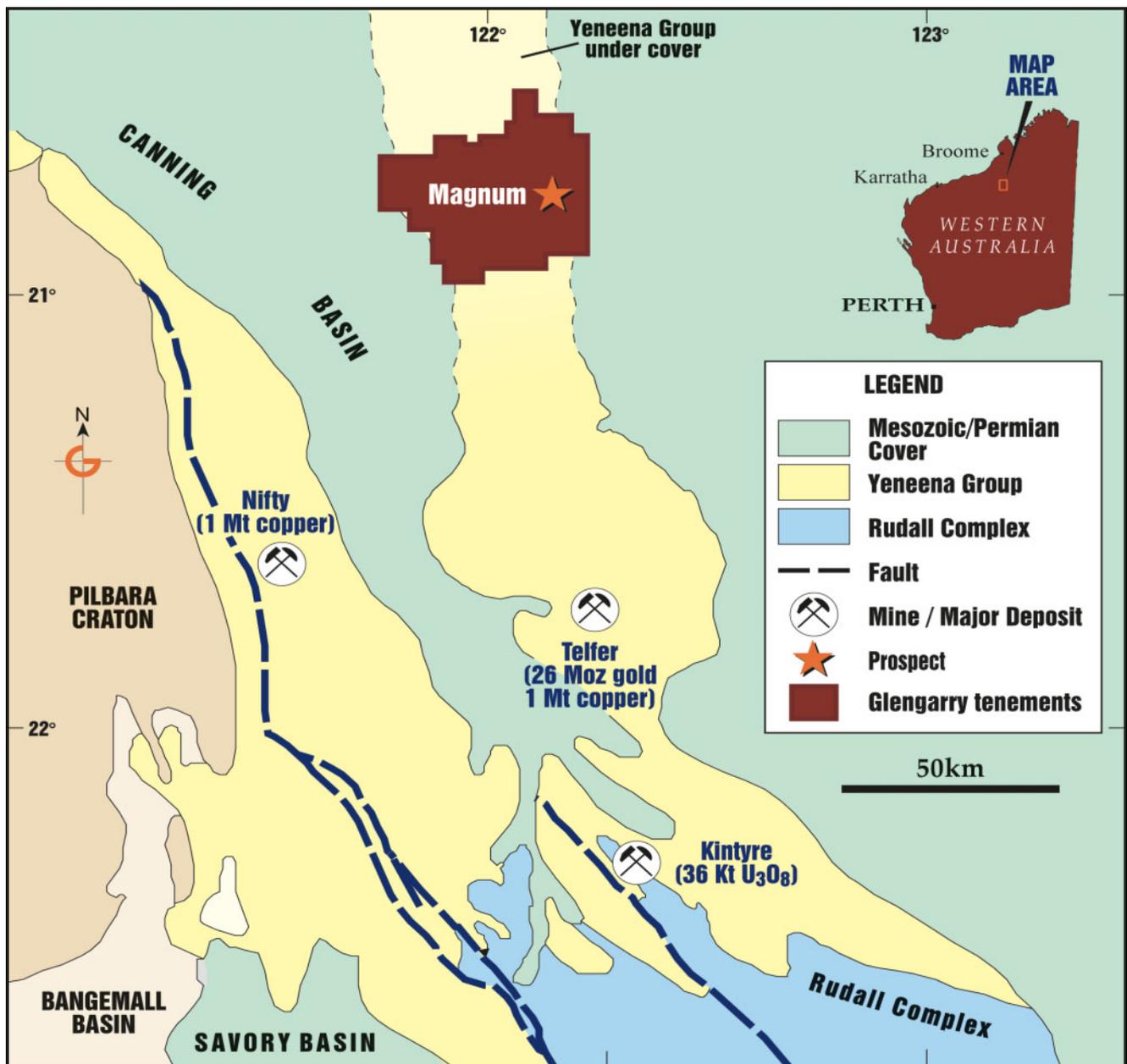


Figure 1: Citadel Project Location Map



# Operations Review (continued)

## ***Percyvale Copper/Gold Project (GGY 100%)***

The Percyvale Project is an exploration project located in North Queensland approximately 300 kilometres west-northwest of Townsville (Figure 2) in a geological region known to host economic deposits of a number of different metals including gold, copper, lead-zinc-silver, uranium and molybdenum. The world class Kidston gold deposit which produced 4.5 million ounces of gold is located approximately 30 kilometres east of the Project area (Figure 2).

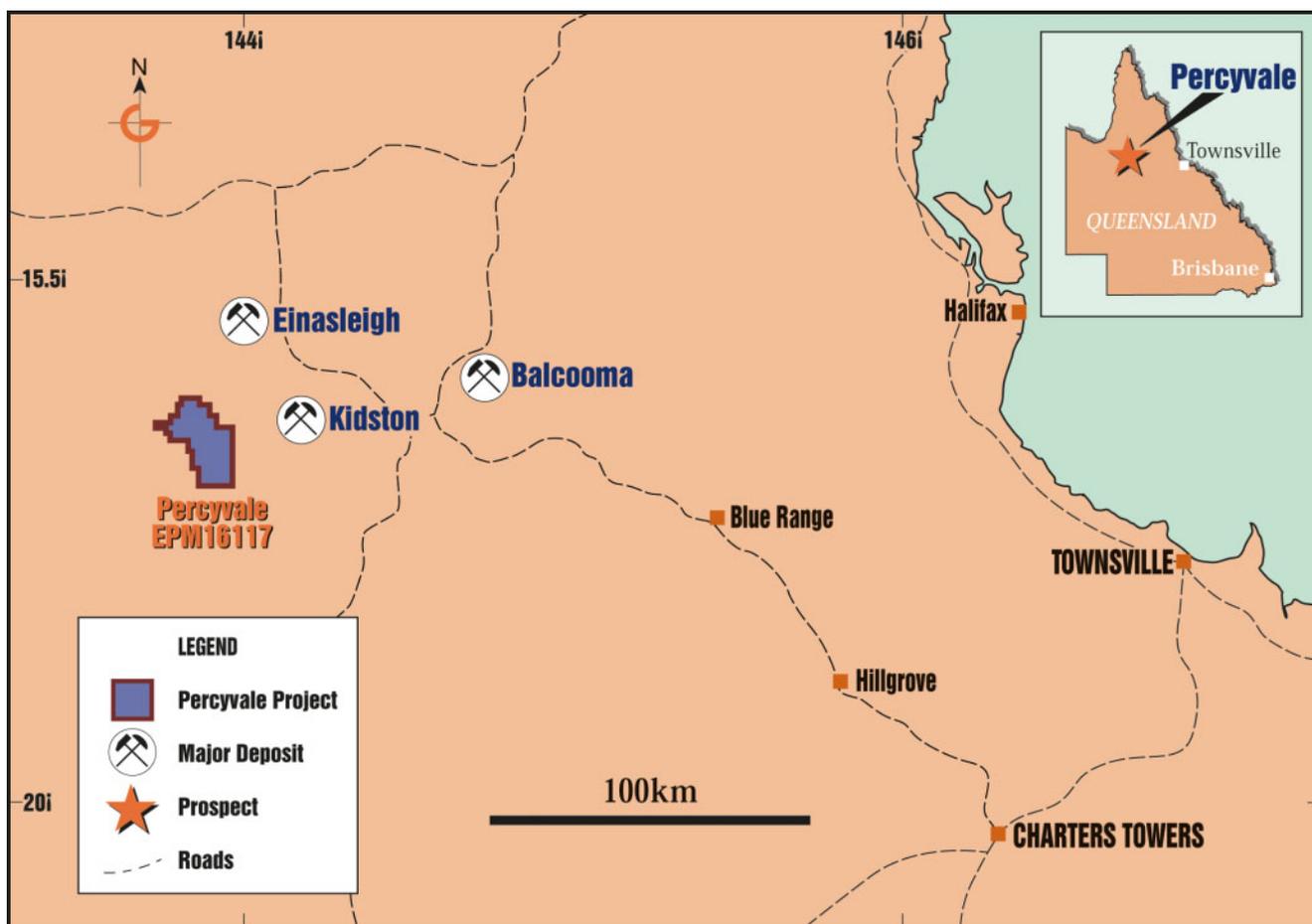


Figure 2: Percyvale Project Location Map

During the year Glengarry completed a reverse circulation percussion drilling program comprising 18 holes for 2,709 metres. The drilling program tested targets defined at 3 prospects, Bernadette, Maggies and Black Soil Creek.

Most of the drilling completed at Percyvale was targeted over the anomalies defined at the Bernadette Prospect with 14 holes drilled for a total of 2,100 metres. There had been no previous drilling prior to Glengarry's program. The drilling at Bernadette intersected two different styles of mineralisation with significant gold and gold-silver-copper-zinc values reported from a number of drill holes. The better intersections are plotted on Figure 3.

At the Maggies Prospect, two reverse circulation percussion drill holes for a total of 279 metres were drilled. The drilling at Maggies did not intersect any significant base metals or gold values or sulphide mineralisation. The extent of the gossanous material at surface is significant and geophysics designed to detect buried sulphide mineralisation may be considered as part of any follow up exploration work carried out at Bernadette.

# Operations Review (continued)

At the Black Soil Creek Prospect, two reverse circulation percussion drill holes for a total of 330 metres were drilled to test targets defined by a review of geophysical data collected by BHP in the mid 1990s. Glengarry's drilling intersected broad zones of low grade silver-copper-zinc mineralisation, however, the results do not warrant follow up drilling.

In line with the strategy applied to the Citadel Project, the Company is currently reviewing the timing of any future work programs at Percyvale as the Project does not presently meet our newly established criteria for the allocation of exploration funds.

A detailed Information Memorandum on the Project has recently been completed and will be used to promote the Percyvale Project to parties interested in acquiring a stake to assist in exploring the project further.

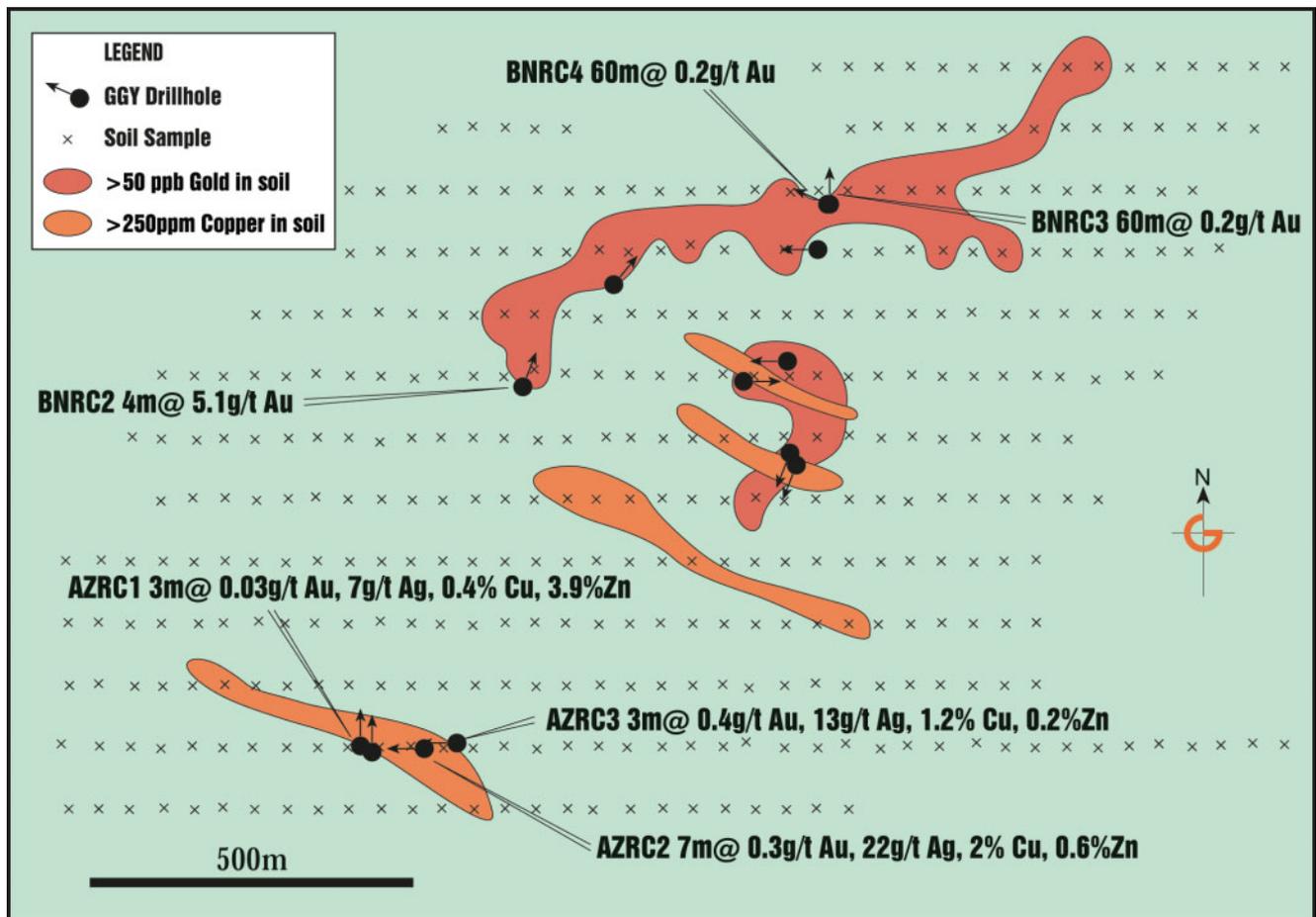


Figure 3: Percyvale Project Bernadette Prospect – Anomalous Soil and Drilling Results



# Operations Review (continued)

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## **Mt Guide Project**

*(Summit Resources 90%, GGY carried 10% interest; MM Mining Plc earning 80% of Summit's Interest)*

The Mt Guide Project is an exploration project located 35 kilometres south of Mt Isa in Queensland and covers the southern strike extension of the stratigraphy that hosts the world class Mt Isa, Hilton and George Fisher base metal deposits.

During the year MM Mining, who is earning an 80% interest in Summit Resources existing interest, carried out detailed structural mapping and combined with geophysical surveys, identified the Brampton and Apex Prospects for follow up drilling. Two diamond holes were drilled late in the year for a total of 660 metres and exploration activities are continuing at the Project.

## **Snake Creek Project**

*(GGY 100%, Ivanhoe Exploration earning 85%)*

The Snake Creek Project is an exploration project located 25 kilometres south of Cloncurry in western Queensland. It is prospective for copper-gold and uranium mineralisation.

During September 2008, Glengarry executed a Farm-out Agreement with ASX-listed Ivanhoe Australia Limited (Ivanhoe), a company which has defined significant gold and copper resources in the region. Under the terms of the Farm-out Agreement, Ivanhoe has the right to earn up to 85% equity in the Snake Creek Project by spending \$1.5 million on exploration within 3 years of signing the Agreement.

During the year Ivanhoe acquired satellite imagery for the JV area, compiled previous exploration data and completed an initial reconnaissance trip. Late in the year, Ivanhoe drilled 6 holes for a total of 1,194 metres and exploration activities are continuing at the Project.

## **Lucky Creek Project (GGY 100%)**

The Lucky Creek Project is an exploration project located in North Queensland approximately 300 kilometres west-northwest of Townsville.

The Project was subject to a Farm-Out Agreement with ASX-listed Beacon Minerals Limited (Beacon) whereby Beacon had the right to earn up to 80% equity in the Project with Glengarry's interest free carried until completion of a Bankable Feasibility Study.

No exploration work was carried out during the year and Beacon withdrew from the Joint Venture. Following a review of the Project, all the tenements except for the small Steam Engine gold resource were relinquished.

## **Hampstead Project (GGY 100%)**

The Hampstead Project is an exploration project located in North Queensland approximately 300 kilometres west-southwest of Townsville. The Project covers the southern extension of the Georgetown Inlier, the same geological sequence that underlays the Percyvale Project.

A reconnaissance exploration program was carried out during the year and following a review, the Project tenements were relinquished.



# Operations Review (continued)

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## ***Rum Jungle Project (GGY 100%)***

The Rum Jungle Project is an exploration project located 65 kilometres south of Darwin in the Northern Territory.

During the year Glengarry completed a reverse circulation percussion drill program comprising 8 holes for a total of 728 metres. The assay results did not warrant follow up drilling and following a review of the Project, the tenements were relinquished.

## **Competent Person's Statement**

*The information in this report that relates to Exploration Results is based on information compiled by Keith McKay who is a member of the Australasian Institute of Mining and Metallurgy. Keith McKay is a director of Glengarry Resources Limited. Keith McKay has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Keith McKay consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*



# Directors' Report

Your directors present their report on the Consolidated Entity ("Group") consisting of Glengarry Resources Limited ("Glengarry" or "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2009.

## 1. Directors

The following persons were directors of Glengarry Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

K G McKay

D P Gordon (appointed on 16 April 2009 and appointed Managing Director on 4 May 2009)

G T Clifford (appointed on 22 August 2008)

D M Murcia (appointed on 16 April 2009)

D R Richards (resigned on 16 April 2009)

W F Manning (resigned on 29 May 2009)

## 2. Principal activities

During the year the principal continuing activities of the Consolidated Entity consisted of exploration for base metals, gold and other mineral resources.

## 3. Review of operations

A summary of consolidated results is set out below:

	2009 \$	2008 \$
Interest income	545,314	349,015
Other income	3,345,278	12,317
	3,890,592	361,332
Loss before income tax expense	(1,265,869)	(3,505,630)
Income tax expense	–	–
Loss attributable to members of Glengarry Resources Limited	(1,265,869)	(3,505,630)

### *Dividends*

No dividend was paid during or since the end of the financial year and no dividend is recommended for the current period.

### *Financial Position*

At the end of the financial year the Company had net cash balances of \$9,673,582 (2008: \$5,133,912) and net assets of \$9,525,664 (2008: \$10,736,748).

Total liabilities amounted to \$272,495 (2008: \$254,600) and were limited to trade and other creditors and employee benefits.

### *Exploration*

During the year Glengarry carried out exploration programs on a number of wholly-owned projects. Glengarry completed an initial reverse circulation percussion drilling program at the Percyvale Project located in North Queensland. The drilling program tested targets for gold and base metal mineralisation defined at 3 prospects; Bernadette, Maggies and Black Soil Creek.

At the Citadel Project located in the Telfer region of northwest Western Australia, Glengarry completed Aboriginal Heritage Surveys over planned drill sites defined by a review of previous exploration work. In early January 2009 the exploration



# Directors' Report (continued)

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## 3. Review of operations (continued)

### *Exploration (continued)*

licence applications for the southern portion of the Citadel project were granted. All exploration licences have now been granted for the entire Project area.

Glengarry completed a reverse circulation percussion drilling program at the Rum Jungle Project located approximately 65 kilometres south of Darwin in the Northern Territory. The drilling program tested for gold mineralisation at the Acacia North prospect. The drilling did not intersect any significant gold mineralisation and the Rum Jungle Project was relinquished.

Exploration work was carried out at several of the Company's joint venture projects. In the Mt Isa region in Queensland, activities were completed by both Ivanhoe Australia Limited on the Snake Creek Project and MM Mining Plc on the Mt Guide Project. Beacon Minerals Ltd withdrew from the Lucky Creek Joint Venture (North Queensland) and the Company relinquished the Project tenements except for the Steam Engine mining development licence.

The Company completed the sale of the Greenvale Project located in North Queensland to Kagara Ltd during the year. Shareholders formally approved the sale on 9 September 2008. Settlement of the sale was finalised on 19 September 2008 for a consideration of \$6.5 million cash and a royalty of \$5 per tonne on all ore milled from the Greenvale tenements in excess of 1 million tonnes. The sale realised a profit of \$3,183,232.

### *Corporate*

During the last quarter of the financial year a number of structural changes took place within the Company including a change to the Company's largest shareholder, changes to the Board and Management and a change in the Company's overall strategic direction. Previously the Company focussed on early stage exploration opportunities and this has changed to now focus on securing a project or projects that are capable of being developed within 24 months to deliver a strong cash flow to the Company.

In respect to existing Projects, the Company is reviewing the timing of future work programs as the Projects do not presently meet the newly established criteria for the allocation of exploration funds. The Company does not expect to spend any funds on the Percyvale and Citadel Projects over the next 6 months. The Projects will be marketed to parties interested in acquiring an interest.

## 4. Significant changes in the state of affairs

Other than those matters shown above, no significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

## 5. Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## 6. Likely developments and expected results of operations

Other than likely developments contained in the "Review of Operations", further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

## 7. Environmental regulation

The Consolidated Entity is subject to the environmental laws and regulations imposed under the Mining Act 1978 (Western Australia), the Mineral Resources Act 1989 (Queensland) and the Mining Act (Northern Territory) depending on the activities being undertaken. The Company is currently engaged in exploration activities which are governed by conditions or



# Directors' Report (continued)

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## 7. Environmental regulation (continued)

recommendations imposed through the granting of a license or permit to explore. Compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve. There were no known breaches of any environmental laws or regulations during the year.

## 8. Information on directors

**K G McKay, BSc (Hons), FAusIMM, MAICD** *Chairman - Non-Executive Age 63*

### *Experience and expertise*

Independent non-executive director appointed 26 August 2004. Appointed Chairman 23 November 2004. Geologist with 40 years technical and corporate experience in the mining industry as a senior executive, director and chairman. Former Chairman of Gindalbie Metals Limited and former Managing Director of Gallery Gold Limited and Battle Mountain (Aust.) Inc.

### *Other directorships*

Mr McKay held no other directorships of ASX listed companies during the last three years.

### *Special responsibilities*

Chairman of the Board

Member of the Remuneration Committee

Member of the Audit Committee

**D P GORDON, B.Bus, CA, FFin, ACIS, MAICD** *Managing Director Age 37*

### *Experience and expertise*

Managing Director appointed 4 May 2009. Chartered Accountant with over 15 years experience in the mining industry as a senior finance and resources executive. He is currently Non-Executive Chairman of Centaurus Resources Limited. Former Chief Financial Officer and Company Secretary for Gindalbie Metals Limited.

### *Other directorships*

During the last three years Mr Gordon held directorships in the following ASX listed companies:

Centaurus Resources Limited (appointed 13 June 2008)

### *Special responsibilities*

Managing Director

**G T Clifford, B.Bus, FCPA, FCIS** *Non-Executive Director Age 59*

### *Experience and expertise*

Independent non-executive director appointed 22 August 2008. Accountant with over 30 years experience in senior accounting, finance, administration and company secretarial roles in the mining, retail and wholesale industries. He is currently a Member of the West Australian State Council of Chartered Secretaries Australia. Former non-executive director of Aztec Resources Limited and former Chairman of Sino Gas and Energy Limited. Former General Manager Administration and Company Secretary of Portman Limited.

### *Other directorships*

During the last three years Mr Clifford held directorships in the following ASX listed companies:

Atlas Iron Limited (appointed 20 August 2007)

Aztec Resources Limited (appointed 25 August 2005, resigned 20 February 2007)

Fox Resources Limited (appointed 17 April 2007)



# Directors' Report (continued)

## 8. Information on directors (continued)

Jupiter Energy Limited (appointed 27 July 2006, resigned 8 November 2006)

RMA Energy Limited (appointed 15 February 2007)

### *Special responsibilities*

Member of the Remuneration Committee

Chairman of the Audit Committee

**D M Murcia, B.Juris, LL.B** *Non-Executive Director Age 46*

### *Experience and expertise*

Independent non-executive director appointed 16 April 2009. Lawyer with over 25 years legal and corporate experience in the resources industry. He is currently Honorary Australian Consul for the United Republic of Tanzania and a director of London listed Aminex plc. He is Chairman and founding director of Perth-based legal group Murcia Pestell Hillard.

### *Other directorships*

During the last three years Mr Murcia held directorships in the following ASX listed companies:

Gindalbie Metals Limited (appointed 2 February 1998)

Gryphon Minerals Limited (appointed 28 July 2006)

Target Energy Limited (appointed 1 September 2006)

### *Special responsibilities*

Chairman of the Remuneration Committee

Member of the Audit Committee

## Company Secretary

**G A James, B.Bus, CA, ACIS** *Age 43*

### *Experience and expertise*

Mr James was appointed as Company Secretary on 19 March 2007. Mr James is a Chartered Accountant and a member of Chartered Secretaries Australia. He has over 20 years experience and was previously the Group Financial Accountant with Clough Limited.

### *Special responsibilities*

Company Secretary

Chief Financial Officer

## 9. Directors' interests in shares and options

As at the date of this report the interests of the Directors in the shares and options of the Company were:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
K G McKay	–	2,419,000	1,000,000	1,000,000
D P Gordon	–	44,000,000	–	4,000,000
G T Clifford	–	1,000,000	–	1,500,000
D M Murcia	–	8,040,566	–	1,500,000



# Directors' Report (continued)

## 10. Meetings of directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2009 and the number of meetings attended by each director were:

	Meetings of Directors		Meetings of Committees			
	Held	Attended	Audit		Remuneration	
			Held	Attended	Held	Attended
K G McKay	14	14	2	2	#	#
D P Gordon (i)	2	2	n/a	n/a	n/a	n/a
G T Clifford (ii)	13	13	2	2	#	#
D M Murcia (iii)	2	2	–	–	#	#
D R Richards (iv)	11	11	n/a	n/a	n/a	n/a
W F Manning (v)	12	12	2	2	#	#

**Held** – denotes the number of meetings held during the time the director held office or was a member of the committee during the year.

# The Remuneration Committee did not meet during the year, all remuneration matters were dealt by the full Board.

(i) D P Gordon appointed as a director on 16 April 2009 and appointed as managing director on 4 May 2009.

(ii) G T Clifford appointed as a director on 22 August 2008.

(iii) D M Murcia appointed as a director on 16 April 2009.

(iv) D R Richards resigned as a director on 16 April 2009.

(v) W F Manning resigned as a director on 29 May 2009.

The Company does not have a formal Nomination Committee. This function is performed by the full Board.

## 11. Remuneration report – audited

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### A. Principles used to determine the nature and amount of remuneration

The primary objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linked executive compensation;
- transparency; and
- capital management.



# Directors' Report (continued)

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## 11. Remuneration report – audited (continued)

### A. Principles used to determine the nature and amount of remuneration (continued)

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on the creation of shareholder value and returns; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The remuneration framework currently consists of fixed salaries and long-term incentives through participation in the Employee Share Option Plan.

The overall level of executive reward takes into account the performance of the Consolidated Entity over a number of years, with greater emphasis given to the current and prior year. Over the past 5 years, the Consolidated Entity was involved in mineral exploration and did not derive a profit and therefore growth in earnings is not considered relevant. Shareholder wealth has previously been dependent upon exploration success and has fluctuated accordingly. Future growth will in part be dependent on securing an advanced exploration or development asset and progressing this project towards production. Average executive remuneration for the coming year has been reduced consistent with the current industry standards for the junior resource sector.

### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also has obtained the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors' remuneration consists of set fee amounts and statutory superannuation. The current base remuneration was last reviewed with effect from 3 June 2009 and the Board decided to reduce the level of fees to \$45,000 for non-executive directors and \$70,000 for the non-executive Chairman. Directors do not receive additional committee fees. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at \$300,000. There is no provision for retirement allowances for non-executive directors.

Non-executive directors are eligible to participate in the Employee Share Option Plan to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Company. The Board considers the issue of options to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Company's cash reserves. Information on the Employee Share Option Plan is set out in Note 24.



# Directors' Report (continued)

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## 11. Remuneration report – audited (continued)

### A. Principles used to determine the nature and amount of remuneration (continued)

#### *Executive pay*

The executive pay and reward framework has three components:

- base pay and benefits;
- long-term incentives through participation in the Employee Share Option Plan; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

- *Base pay*

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any senior executives' contracts.

- *Benefits*

Executives may receive benefits including professional memberships, motor vehicle allowances, reasonable entertainment allowances and other benefits as agreed between the executive and the Board of Directors.

- *Retirement benefits*

Directors and employees are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.

- *Employee Share Option Plan*

Information on the Employee Share Option Plan is set out in Section 11D, page 18.

- *Performance linked compensation*

Performance linked compensation includes long term incentives, designed to reward key management personnel for reaching or exceeding specific objectives or as recognition for strong individual performance.

- *Long term incentives*

Long term incentives are comprised of share options, which are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholder wealth. Options are granted for no consideration and do not carry voting or dividend entitlements.



# Directors' Report (continued)

## 11. Remuneration report – audited (continued)

### B. Details of remuneration

Details of the remuneration of the directors and the key management personnel of Glengarry Resources Limited for the Parent and the Consolidated Entity are set out in the following tables:

2009	Short-term benefits	Post-employment benefits		Share-based payments		Proportion of remuneration performance related
Name	Cash salary and fees \$	Super-annuation \$	Termination benefits (7) \$	Options \$	Total \$	%
<i>Directors</i>						
K G McKay	–	88,333	–	36,678	125,011	29.3%
D P Gordon (1)	35,000	–	–	–	35,000	–
G T Clifford (2)	12,614	37,780	–	11,602	61,996	18.7%
D M Murcia (3)	11,224	–	–	–	11,224	–
D R Richards (4)	193,489	39,549	301,142	–	534,180	–
W F Manning (5)	50,459	4,541	45,000	(5,138)	94,862	(5.4%)
<i>Executives</i>						
K M Seymour (6)	188,255	13,745	104,026	–	306,026	–
G A James	165,138	14,862	–	6,819	186,819	3.6%
<b>Total</b>	<b>656,179</b>	<b>198,810</b>	<b>450,168</b>	<b>49,961</b>	<b>1,355,118</b>	

(1) D P Gordon – appointed as managing director on 4 May 2009.

(2) G T Clifford – appointed as non-executive director on 22 August 2008.

(3) D M Murcia – appointed as non-executive director on 16 April 2009.

(4) D R Richards – terminated as managing director on 16 April 2009.

(5) W F Manning – resigned as non-executive director on 29 May 2009.

(6) K M Seymour – terminated as exploration manager on 1 July 2009.

(7) Termination benefits include amounts for unused leave entitlements.

2008	Short-term benefits	Post-employment benefits	Share-based payments		Proportion of remuneration performance related
Name	Cash salary and fees \$	Superannuation \$	Options \$	Total \$	%
<i>Directors</i>					
K G McKay	–	90,000	61,138	151,138	40.5%
D R Richards	217,000	48,000	12,916	277,916	4.6%
W F Manning	55,046	4,954	61,138	121,138	50.5%
D P Gordon (1)	2,890	260	–	3,150	–
<i>Executives</i>					
K M Seymour	174,121	13,129	6,458	193,708	3.3%
G A James	154,128	13,872	16,857	184,857	9.1%
<b>Total</b>	<b>603,185</b>	<b>170,215</b>	<b>158,507</b>	<b>931,907</b>	

(1) D P Gordon – resigned as non-executive director on 23 July 2007.



# Directors' Report (continued)

## 11. Remuneration report – audited (continued)

### C. Service Agreements

Remuneration and other terms of employment for the Managing Director and Company Secretary/Chief Financial Officer are formalised in service agreements. The agreements provide for the provision of other benefits and participation, when eligible, in the Employee Share Option Plan.

Other major provisions of the agreements relating to remuneration are set out below:

#### D P Gordon, Managing Director

- Term of agreement – commenced on 4 May 2009 for a term of 2 years. Mr Gordon may terminate the agreement by giving 2 months notice. The Company may terminate the agreement by giving 2 months notice and in addition, pay on termination, an amount equal to 6 months of fees.
- Base fee is \$210,000, reviewed annually. Provision of four weeks annual leave.

#### G A James, Company Secretary/Chief Financial Officer

- Term of agreement – commenced on 19 March 2007 with no set term. Mr James may terminate the agreement by giving 3 months notice. The Company may terminate the agreement by giving 12 months notice.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$180,000, reviewed annually. Provision of four weeks annual leave.

### D. Share-based compensation

Options are granted under the Employee Share Option Plan (Plan) which was approved by shareholders at the 2007 annual general meeting. All staff are eligible to participate in the Plan (including executive and non-executive directors) unless the Board in its absolute discretion determine otherwise. Options are granted from time to time under the Plan for no consideration and are granted for a period of up to 5 years. The vesting and exercise conditions of options granted are determined by the Board in its absolute discretion.

Options may also be granted by the Company outside of the Plan, but under similar terms and conditions.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date (1)	Vesting date
19 March 2007	19 March 2012	13.5 cents	\$0.0380	Vested
20 November 2007	20 November 2012	24.5 cents	\$0.1090	Vested
20 November 2007	20 November 2012	28.5 cents	\$0.1040	20 November 2009
15 December 2008	15 December 2013	10.0 cents	\$0.0232	Vested
15 December 2008	15 December 2013	12.0 cents	\$0.0220	15 December 2009
15 December 2008	15 December 2013	14.0 cents	\$0.0210	15 December 2010

(1) Fair value as determined using a Black-Scholes option pricing model.

Options granted under the Plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is determined by the Board in its absolute discretion but having regard to the market value of the Company's shares when it resolves to offer the options.

On 27 October 2008 the Company introduced a policy that prohibits employees that are granted share-based payments as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases. The policy requires all directors and key management personnel to sign annual declarations of compliance with this policy throughout the period.

# Directors' Report (continued)

## 11. Remuneration report – audited (continued)

### D. Share-based compensation (continued)

Details of options over ordinary shares provided as remuneration to each director of Glengarry Resources Limited and each of the key management personnel of the Group are set out below:

	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2009	2008	2009	2008
<i>Directors</i>				
K G McKay	–	1,000,000	<b>250,000</b>	250,000
D G Gordon (appointed Managing Director on 4 May 2009)	–	–	–	–
G T Clifford	<b>1,000,000</b>	–	<b>250,000</b>	–
D M Murcia (appointed on 16 April 2009)	–	–	–	–
D R Richards (resigned on 16 April 2009)	–	–	–	1,000,000
W F Manning (resigned on 29 May 2009)	–	1,000,000	<b>250,000</b>	250,000
<i>Executives</i>				
K M Seymour (resigned on 1 July 2009)	–	–	–	500,000
G A James	–	–	<b>500,000</b>	250,000

The assessed fair value at grant date of options granted is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, 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.

The Black-Scholes model inputs for options granted during the year ended 30 June 2009 included:

Grant date	15 December 2008	15 December 2008	15 December 2008
Expiry date	15 December 2013	15 December 2013	15 December 2013
Quantity	250,000	250,000	500,000
Exercise price	\$0.100	\$0.120	\$0.140
Consideration	Nil	Nil	Nil
Share price at grant date	\$0.039	\$0.039	\$0.039
Expected price volatility of the Company's shares	95%	95%	95%
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	3.80%	3.80%	3.80%
Fair value per option at grant date	\$0.0232	\$0.0222	\$0.0212

### E. Additional information

Given Glengarry Resources Limited is involved in mineral exploration and Company performance is in part measured by exploration success, the share-based compensation of the persons referred to above is not dependent on the satisfaction of individual performance conditions.



# Directors' Report (continued)

## 11. Remuneration report – audited (continued)

### E. Additional information (continued)

Details of vesting profiles of options granted as remuneration are set out below:

Name	Year options granted	Number of options granted	Number of options vested	Vested %	Forfeited %	Financial years in which options vest	Value yet to vest \$
K G McKay	2008	1,000,000	500,000	50	–	2008 2009 2010	– – 52,000
G T Clifford	2009	1,000,000	250,000	25	–	2009 2010 2011	– 5,500 10,500
D R Richards (resigned 16 April 2009)	2006	2,000,000	2,000,000	100	–	2006 2007 2008	– – –
W F Manning (resigned 29 May 2009)	2008	1,000,000	500,000	50	50	2008 2009 2010	– – –
K M Seymour (resigned 1 July 2009)	2006	1,000,000	1,000,000	100	–	2006 2007 2008	– – –
G A James	2007	1,000,000	1,000,000	100	–	2007 2008 2009	– – –

Further details relating to options are set out below:

Name	A Remuneration consisting of options	B Fair value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	Included in remuneration \$
K G McKay	29.3%	–	–	–	36,678
G T Clifford	18.7%	21,800	–	–	11,602
D R Richards	–	–	–	–	–
W F Manning	(5.4%)	–	–	–	(5,138)
K M Seymour	–	–	–	–	–
G A James	3.6%	–	–	–	6,819

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date, representing the difference between the Company's share price and the exercise price of the options. No options were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised because the exercise price of the options exceeded the market share price.

# Directors' Report (continued)

## 12. Loans to directors and executives

There are no loans to directors or executives.

## 13. Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Glengarry Resources Limited granted during or since the end of the financial year to any of the directors or the 5 most highly remunerated officers of the Company and the Consolidated Entity as part of their remuneration were as follows:

	Date of grant	Options granted
During the financial year: G T Clifford, <i>Non-Executive Director</i>	15 December 2008	1,000,000
Since the end of the financial year: K G McKay, <i>Chairman</i>	17 July 2009	1,000,000
D P Gordon, <i>Managing Director</i>	17 July 2009	4,000,000
G T Clifford, <i>Non-Executive Director</i>	17 July 2009	500,000
D M Murcia, <i>Non-Executive Director</i>	17 July 2009	1,500,000
G A James, <i>Company Secretary/Chief Financial Officer</i>	3 September 2009	1,000,000

## 14. Shares under option

Unissued ordinary shares of Glengarry Resources Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
10 April 2006	10 April 2011	11.0 cents	100,000
10 April 2006	10 April 2011	13.0 cents	250,000
10 April 2006	10 April 2011	15.0 cents	500,000
19 March 2007	19 March 2012	11.5 cents	250,000
19 March 2007	19 March 2012	13.5 cents	500,000
20 November 2007	20 November 2012	20.5 cents	500,000
20 November 2007	20 November 2012	24.5 cents	500,000
20 November 2007	20 November 2012	28.5 cents	500,000
29 August 2008	29 August 2013	12.5 cents	50,000
29 August 2008	29 August 2013	15.0 cents	50,000
29 August 2008	29 August 2013	17.5 cents	100,000
15 December 2008	15 December 2013	10.0 cents	250,000
15 December 2008	15 December 2013	12.0 cents	250,000
15 December 2008	15 December 2013	14.0 cents	500,000
17 July 2009	17 July 2014	5.0 cents	1,000,000
17 July 2009	17 July 2014	7.5 cents	2,500,000
17 July 2009	17 July 2014	10.0 cents	3,000,000
17 July 2009	17 July 2014	12.0 cents	500,000
3 September 2009	31 July 2014	7.5 cents	325,000
3 September 2009	31 July 2014	10.0 cents	325,000
3 September 2009	31 July 2014	12.5 cents	650,000
			<b>12,600,000</b>

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.



# Directors' Report (continued)

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## 15. Shares issued on the exercise of options

No ordinary shares of Glengarry Resources Limited were issued during the year ended 30 June 2009 on the exercise of options granted by the Company. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

## 16. Insurance of officers

During the financial year, Glengarry Resources Limited paid insurance premiums to insure the directors, executive officers and secretary of the Company. The amount of premiums paid has not been disclosed due to confidentiality requirements under the contract of insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

## 17. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## 18. Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

The board of directors has considered the position and in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The auditor received or is due to receive the following amounts for provision of non-audit services:

KPMG Australian Firm:	\$
Taxation services	13,987

## 19. 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 23.

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



**D P Gordon**

Managing Director  
Perth, Western Australia

21 September 2009



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Glengarry Resources Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG



T R Hart  
*Partner*

Perth  
21 September 2009

KPMG, an Australian partnership, is part of the KPMG international network.  
KPMG International is a Swiss cooperative.



# Corporate Governance Statement

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Glengarry Resources Limited (the “Company”) and its Board are committed to achieving and demonstrating high standards of corporate governance. This statement sets out the main corporate governance practices of the Company during the financial year, providing disclosure in accordance with the Corporate Governance Principles and Recommendations 2nd Edition August 2007 as published by the ASX Corporate Governance Council. All these practices, unless otherwise stated, were in place for the entire year. Disclosure is made at the end of this statement of areas of non-compliance with the Recommendations.

Further details of the various charters, policies, codes and procedures that document the Company’s corporate governance practices are set out in the Company’s website at [www.glengarry.com.au](http://www.glengarry.com.au).

## **The Board of Directors and Management**

The relationship between the Board and senior management is critical to the Company’s long term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and to ensure the Company is properly managed.

Day to day management of the Company’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

The Board operates in accordance with the broad principles set out in its Charter which is available from the corporate governance information section of the Company’s website at [www.glengarry.com.au](http://www.glengarry.com.au). The Charter details the Board’s composition and responsibilities.

### *Board Members*

Details of the members of the Board, their skills, experience, expertise, qualifications, term of office and independence status are set out in the Directors’ Report under the heading “Information on directors”. There are three independent non-executive directors and one executive director at the date of signing the Directors’ Report.

### *Directors’ Independence*

The Board has adopted specific principles in relation to directors’ independence and these are set out in its Charter. The names of the directors considered to be independent are set out in the Directors’ Report.

The principles adopted by the Board employ the concept of materiality. Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or 5% of the individual director’s net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders’ understanding of the director’s performance.

### *Term of Office*

The Company’s Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

### *Responsibilities of Management*

The Board Charter sets out the responsibilities of management and details are available on the Company’s website.

### *Independent Professional Advice*

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company’s expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.



# Corporate Governance Statement (continued)

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## The Board of Directors and Management (continued)

### *Performance Assessment*

The Board charter sets out the process to undertake an annual self assessment of the Board's collective performance, the performance of the Chairman and of its committees. The self assessment involves a questionnaire process to review performance attributes.

The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

## Remuneration Committee

The Remuneration Committee operates in accordance with its Charter which is available on the Company's website. The Committee shall consist of at least three non-executive directors with relevant expertise and experience in the industries in which the Company operates. The Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs an employment contract at the time of their appointment covering a range of matters, including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the Remuneration Committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the Remuneration Report.

Executive remuneration and other terms of employment is reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-executive directors and executives are eligible to participate in the Employee Share Option Plan which provides for the issue of options in the Company.

Details of the qualifications of directors of the Remuneration Committee and their attendance at Committee meetings are set out in the Directors' Report.

## Audit Committee

The Audit Committee operates in accordance with its Charter which is available on the Company's website. The Committee shall consist of at least three non-executive directors with appropriate financial expertise and working knowledge of the industries in which the Company operates.

The responsibilities of the Committee include the review, assessment and approval of the annual report, the half-year financial report and all other financial information published by the Company or released to the market. The Committee assists the Board in reviewing the effectiveness of the organisation's internal control environment covering the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Committee oversees the effective operation of the risk management framework.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year.

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year comply with accounting standards and present a true and fair view of the Company's financial position and operational results; and
- the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Details of the qualifications of directors of the Audit Committee and their attendance at Committee meetings are set out in the Directors' Report.



# Corporate Governance Statement (continued)

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## External Auditors Policy

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The *Corporations Act 2001* requires the rotation of the audit engagement partner at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in Note 21 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Audit Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## Nomination Committee

The Nomination Committee consists of the full Board and it operates in accordance with its Charter which is available on the Company's website. The responsibilities of the Committee include the annual review of the membership and performance of the Board, reviewing candidates for vacancies and succession planning.

## Risk Assessment and Management

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company's website. In summary, the Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is a framework with clearly drawn lines of accountability and delegation of authority. Adherence to the Company's Code of Conduct (see page 27) is required at all times and the Board actively promotes a culture of quality and integrity.

The Company's risk management policy is managed by the full Board. The Audit Committee, via its Charter, oversees the effective operation of the risk management framework. The Board conducts an annual corporate strategy workshop which reviews the Company's strategic direction in detail and includes specific focus on the identification of the key material business and financial risks which could prevent the Company from achieving its objectives. The Board is required to ensure that appropriate controls are in place to effectively manage those risks.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, information technology security, compliance and other risk management issues. The Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. The Company has in place an insurance program which is reviewed periodically by the Board. The Board receives regular reports on budgeting and financial performance. A system of delegated authority levels has been approved by the Board to ensure business transactions are properly authorised and executed.

Senior management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. A detailed questionnaire process is completed by senior management on a six monthly basis to facilitate the reporting of risk management to the Board. The Managing Director and Chief Financial Officer have certified to the Board that the risk management and internal control systems to manage the Company's material business risks have been assessed and found to be operating effectively.

### *Environment, Health and Safety Management*

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the Board facilitates the systematic identification of environmental and OH&S issues and ensures they are managed in a structured manner. This system allows the Company to:

- monitor its compliance with all relevant legislation;

# Corporate Governance Statement (continued)

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## Risk Assessment and Management (continued)

- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

To manage OH&S issues, the Board has approved a number of procedure documents including a Safety Management Plan, Radiation Safety Manual, Environmental Procedures Manual and an Emergency Procedures and Response Plan. It is a condition of employment for all employees to follow these procedures. Reporting on OH&S issues is a standard agenda item at regular Board Meetings.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

## Code of Conduct

The Company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity. In summary, the Code requires that at all times, all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The purchase and sale of the Company's securities by directors and employees is not permitted within two business days after the release to the market of market sensitive information, or when otherwise privy to information not yet released. The Chairman must be advised prior to any proposed transaction in the Company's securities by directors. Directors, officers and employees must not partake in short-term trading of the Company's securities which is defined as less than a 30 day period.

On 27 October 2008 the Company introduced a policy that prohibits directors and employees who are granted share options as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases. The Company requires all directors and key management personnel to sign annual declarations of compliance with this policy.

This Code and the Company's trading policy are discussed with each new employee as part of their induction training. The Code requires employees who are aware of unethical practices within the Group or breaches of the Company's trading policy to report these to the Company. This can be done anonymously. The directors are satisfied that the Group has complied with the principles of proper ethical standards, including trading in securities.

A copy of the Code and the share trading policy are available on the Company's website.

## Continuous Disclosure and Shareholder Communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Managing Director and Chairman, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.



# Corporate Governance Statement (continued)

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## Continuous Disclosure and Shareholder Communication (continued)

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website prior to the presentation made. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The Company seeks to provide opportunities for shareholders to participate through electronic means. All Company announcements, media briefings, details of Company meetings, press releases, and financial reports are available on the Company's website.

## Non-Compliance Statement

The Company has not followed all of the Recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departures are as follows:

- A formal Board performance assessment was not undertaken during the year, however, a review was undertaken of the composition of the Board due to changes in the Company's strategy. The review assessed the skills, qualifications and performance of the individual Board members which resulted in significant changes to the composition of the Board.
- The Remuneration Committee did not meet during the year as all remuneration matters were dealt by the full Board due to the significant changes that occurred in the composition of the Board.
- Non-executive directors should not receive options. Non-executive directors are eligible to participate in the Employee Share Option Plan to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Company. The Board considers the issue of options to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Company's cash reserves and delivering on the Company's agreed strategy of securing a new advanced exploration or development asset.
- A separate Nomination Committee has not been formed. The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.



# GLENGARRY RESOURCES LIMITED

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## Financial Report — 30 June 2009

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This financial report covers both Glengarry Resources Limited as an individual entity and the Consolidated Entity consisting of Glengarry Resources Limited and its controlled entities.

Glengarry Resources Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Glengarry Resources Limited  
Mezzanine Level  
35 Havelock Street  
West Perth WA 6005

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' Report, which is not part of this Financial Report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our website: [www.glengarry.com.au](http://www.glengarry.com.au).

For queries in relation to our reporting please call (08) 9322 4929 or e-mail [info@glengarry.com.au](mailto:info@glengarry.com.au).



# Income Statements

For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Other income	5	<b>3,188,728</b>	12,317	<b>3,188,728</b>	12,317
Employee benefits expense	6	<b>(1,183,564)</b>	(705,920)	<b>(1,183,564)</b>	(705,920)
Depreciation expense	6	<b>(23,551)</b>	(19,664)	<b>(23,551)</b>	(19,664)
Exploration and evaluation expense	6	<b>(382,079)</b>	(88,746)	<b>(382,079)</b>	(88,279)
Provision for non-recoverability of investment/loan to subsidiary	6	–	–	–	(13,780)
Impairment loss	6	<b>(2,432,410)</b>	(583,917)	<b>(2,432,410)</b>	(583,917)
Administration expense		<b>(476,405)</b>	(497,353)	<b>(476,405)</b>	(497,353)
<b>Results from operating activities</b>		<b>(1,309,281)</b>	(1,883,283)	<b>(1,309,281)</b>	(1,896,596)
Finance income		<b>701,864</b>	349,015	<b>701,864</b>	349,015
Finance expense		<b>(658,452)</b>	(1,971,362)	<b>(658,452)</b>	(1,971,362)
<b>Net finance income/(expense)</b>	31	<b>43,412</b>	(1,622,347)	<b>43,412</b>	(1,622,347)
<b>Loss before income tax</b>		<b>(1,265,869)</b>	(3,505,630)	<b>(1,265,869)</b>	(3,518,943)
Income tax expense	7	–	–	–	–
<b>Loss attributable to members of Glengarry Resources Limited</b>	18	<b>(1,265,869)</b>	(3,505,630)	<b>(1,265,869)</b>	(3,518,943)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	Cents		
Basic loss per share	30	<b>(0.44)</b>	(1.24)		
Diluted loss per share	30	<b>(0.44)</b>	(1.24)		

The above Income Statements should be read in conjunction with the accompanying notes.

# Balance Sheets

As at 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current assets</b>					
Cash and cash equivalents	8	<b>9,673,582</b>	5,133,912	<b>9,673,582</b>	5,133,912
Other receivables and prepayments	9	<b>86,229</b>	103,614	<b>86,229</b>	103,614
Assets classified as held for sale	10	–	3,296,169	–	3,296,169
<b>Total current assets</b>		<b>9,759,811</b>	8,533,695	<b>9,759,811</b>	8,533,695
<b>Non-current assets</b>					
Available-for-sale financial assets	11	–	1,069,235	–	1,069,235
Plant and equipment	12	<b>38,348</b>	65,207	<b>38,348</b>	65,207
Exploration and evaluation	13	–	1,323,211	–	1,323,211
<b>Total non-current assets</b>		<b>38,348</b>	2,457,653	<b>38,348</b>	2,457,653
<b>Total assets</b>		<b>9,798,159</b>	10,991,348	<b>9,798,159</b>	10,991,348
<b>Current liabilities</b>					
Trade and other payables	14	<b>257,697</b>	193,414	<b>257,697</b>	193,414
Employee benefits	15	<b>14,798</b>	61,186	<b>14,798</b>	61,186
<b>Total current liabilities</b>		<b>272,495</b>	254,600	<b>272,495</b>	254,600
<b>Total liabilities</b>		<b>272,495</b>	254,600	<b>272,495</b>	254,600
<b>Net assets</b>		<b>9,525,664</b>	10,736,748	<b>9,525,664</b>	10,736,748
<b>Equity</b>					
Issued capital	16	<b>15,544,255</b>	15,544,255	<b>15,544,255</b>	15,544,255
Reserves	17	<b>351,380</b>	296,595	<b>351,380</b>	296,595
Accumulated losses	18	<b>(6,369,971)</b>	(5,104,102)	<b>(6,369,971)</b>	(5,104,102)
<b>Total equity</b>	19	<b>9,525,664</b>	10,736,748	<b>9,525,664</b>	10,736,748

The above Balance Sheets should be read in conjunction with the accompanying notes.



# Statements of Recognised Income and Expense

For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Net change in fair value of available-for-sale financial assets	17	<b>(658,452)</b>	(1,711,807)	<b>(658,452)</b>	(1,711,807)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	17	<b>658,452</b>	1,940,269	<b>658,452</b>	1,940,269
Income and expense recognised directly in equity		–	228,462	–	228,462
Loss for the year		<b>(1,265,869)</b>	(3,505,630)	<b>(1,265,869)</b>	(3,518,943)
<b>Total recognised expense for the year</b>		<b>(1,265,869)</b>	(3,277,168)	<b>(1,265,869)</b>	(3,290,481)

*The above Statements of Recognised Income and Expense should be read in conjunction with the accompanying notes.*



# Cash Flow Statements

For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees (inclusive of goods and services tax)		(1,572,423)	(1,021,068)	(1,572,423)	(1,021,068)
Interest received		537,907	328,368	537,907	328,368
<b>Net cash used in operating activities</b>	29	<b>(1,034,516)</b>	(692,700)	<b>(1,034,516)</b>	(692,700)
<b>Cash flows from investing activities</b>					
Payments for plant and equipment		(8,342)	(36,556)	(8,342)	(36,556)
Refunds (payments) for security deposits		25,000	(14,900)	25,000	(14,900)
Exploration and evaluation expenditure		(1,520,334)	(2,118,213)	(1,520,334)	(2,104,433)
Proceeds from sale of plant & equipment		17,146	–	17,146	–
Proceeds from sale of available-for-sale financial assets		560,716	2,582,081	560,716	2,582,081
Proceeds from sale of mineral tenements		6,500,000	–	6,500,000	–
Loans to subsidiary		–	–	–	(13,780)
<b>Net cash from investing activities</b>		<b>5,574,186</b>	412,412	<b>5,574,186</b>	412,412
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares	16(b)	–	4,375,000	–	4,375,000
Transaction costs	16(b)	–	(11,950)	–	(11,950)
<b>Net cash from financing activities</b>		–	4,363,050	–	4,363,050
<b>Net increase in cash and cash equivalents</b>		<b>4,539,670</b>	4,082,762	<b>4,539,670</b>	4,082,762
Cash and cash equivalents at the beginning of the financial year		5,133,912	1,051,150	5,133,912	1,051,150
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>9,673,582</b>	5,133,912	<b>9,673,582</b>	5,133,912

The above Cash Flow Statements should be read in conjunction with the accompanying notes.



# Notes to the Financial Statements

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For the year ended 30 June 2009

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# Notes to the Financial Statements (continued)

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## **Note 1. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report contains separate financial statements for Glengarry Resources Limited (“Parent” or “Company”) and the Consolidated Entity consisting of Glengarry Resources Limited and its subsidiaries (together referred to as the “Group”).

### **(a) Basis of preparation of the financial report**

#### *Statement of compliance*

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the Board of Directors on 21 September 2009.

#### *Basis of measurement*

These financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value.

#### *Functional and presentation currency*

These financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of the majority of the Group.

#### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### **(b) Principles of consolidation**

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Glengarry Resources Limited as at 30 June 2009 and the results of all subsidiaries for the year then ended.

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(g)).

#### *Transactions eliminated on consolidation*

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.



# Notes to the Financial Statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Interest revenue is recognised using the effective interest method.

### (e) 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 income tax rate adjusted by changes in deferred tax assets and liabilities and to unused tax losses.

Deferred tax assets and liabilities are recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are calculated using 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.

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.

#### *Tax consolidation legislation*

Glengarry Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Glengarry Resources Limited, and the controlled entities in the tax consolidated group continue to account for their own deferred tax amounts. These tax amounts are measured as if each entity in the Group continued to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Glengarry Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 7.

Any difference between amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### (f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straightline basis over the period of the lease.

# Notes to the Financial Statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (g) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) 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 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.

### (h) Impairment of assets

#### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group



# Notes to the Financial Statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (h) Impairment of assets (continued)

of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (i) Financial instruments

#### (i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group’s contractual rights to the cash flows from the financial assets expire or the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled.

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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment is recognised in the income statement.



# Notes to the Financial Statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (i) Financial instruments (continued)

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are measured at fair value.

The Group classifies its financial assets into the following categories:

#### *Held-to-maturity investments*

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Available-for-sale financial assets*

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer note 1(h)) are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

#### *Financial assets at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### *Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

### (ii) Issued capital

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.

### (j) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.



# Notes to the Financial Statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (j) Non-current assets held for sale (continued)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

### (k) Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment at 1 July 2004, the date of transition to AASBs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

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.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Machinery	10-15 years
Vehicles	3-5 years
Furniture, fittings and equipment	3-8 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 (Note 1(h)).

### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### (m) Employee benefits

#### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the

# Notes to the Financial Statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (m) Employee benefits (continued)

reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) Retirement benefit obligations

The Group contributes to various defined contribution funds for its employees. Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iv) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan. The fair value of options granted under the Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

The market value of shares issued to employees for no cash consideration under the Employee Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

### (n) Finance income and expenses

Finance income comprises interest income on funds invested, gains on disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on disposal of available-for-sale financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

### (o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.



# Notes to the Financial Statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (p) Exploration and evaluation expenditure

Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Exploration and evaluation costs are not amortised until such time as they are transferred to mine properties and production has commenced.

#### (i) Farm-out arrangements

Arrangements whereby an external party earns an ownership interest in an exploration or development property via the sole-funding of a specified exploration, evaluation or development programme or by injection of funds to be utilised for such a programme will be accounted so that the Consolidated Entity recognises its share of assets, liabilities and equity associated with the property. Any gain or loss upon initial recognition of these items will be recognised in the income statement.

### (q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flow.

### (r) Jointly controlled operations and assets

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.



# Notes to the Financial Statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (s) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity.

### (t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

(i) Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
- Transaction costs, other than share and debt issue costs, will be expensed as incurred
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

(ii) Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

(iii) AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Managing Director in order to assess each segment's performance and to allocate resources to them. Application of AASB 8 may result in different segments, segment results and different types of information reported in the segment note of the financial report.

(iv) Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners



# Notes to the Financial Statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### (t) New standards and interpretations not yet adopted (continued)

in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

(v) Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.

(vi) AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

(vii) AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

(viii) AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

(ix) AASB 2008-8 *Amendments to Australian Accounting Standard - Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

(x) AI 15 *Agreements for the Construction of Real Estate* provides guidance on the accounting for agreements for the construction of real estate by the seller under AASB 111 *Construction Contracts* or AASB 118 *Revenue* and the timing of revenue recognition. AI 15 will become mandatory for the Group's 30 June 2010 financial statements, with retrospective application required. The interpretation is not expected to have any impact on the financial report.

(xi) AI 16 *Hedges of a Net Investment in a Foreign Operation* clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognised in the entity's consolidated financial statements. AI 16 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the Interpretation.

(xii) AI 17 *Distributions of Non-Cash Assets to Owners* provides guidance in respect of measuring the value of distributions of non-cash assets to owners. AI 17 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the Interpretation.



# Notes to the Financial Statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### (t) New standards and interpretations not yet adopted (continued)

(xiii) *AI 18 Transfers of Assets from Customers* provides guidance on the accounting for contributions from customers in the form of transfers of property, plant and equipment (or cash to acquire or construct it). AI 18 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the Interpretation.

## Note 2. Financial risk management

The Group has exposure to the following risks arising from the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

The Company and the Group do not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to manage those risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors is responsible for ensuring there are adequate policies in relation to financial risk management. Policies are designed to ensure risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives. Considerable importance is placed on maintaining a strong control environment. There is a framework with clearly drawn lines of accountability and delegation of authority.

The financial risk management policy is managed by the full Board. The Board assesses material risks that may impede meeting business objectives. The Board is required to ensure that appropriate controls are in place to effectively manage those risks.

### (a) Credit risk

Credit risk is the risk that a counterparty will not complete its obligation under a financial instrument that will result in a financial loss to the Group. Credit risk arises from cash and deposits with banks and financial institutions as well as outstanding security deposits. The Group limits exposure to credit risk by only investing cash and deposits with banks that have a credit rating of at least A1 from Standard and Poor's. Security deposits are lodged with either banks or with government agencies. Management does not expect any counterparty to fail to meet its obligations. The carrying amount of financial assets represents the maximum credit exposure. At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date was as follows:

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash and cash equivalents	9,673,582	5,133,912	9,673,582	5,133,912
Other receivables and prepayments	86,229	103,614	86,229	103,614
Available-for-sale financial assets	–	1,069,235	–	1,069,235
	<b>9,759,811</b>	<b>6,306,761</b>	<b>9,759,811</b>	<b>6,306,761</b>



# Notes to the Financial Statements (continued)

## Note 2. Financial risk management (continued)

### (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they arise. The Board continually reviews the liquidity position of the Group including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. The Group does not have any external borrowings. The contractual maturities of financial liabilities at the reporting date were as follows:

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade and other creditors	72,535	79,982	72,535	79,982
Accrued expenses	185,162	113,432	185,162	113,432
	<b>257,697</b>	193,414	<b>257,697</b>	193,414

All financial liabilities are payable in 30 days or less.

### (c) Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

#### (i) Foreign exchange risk

Foreign exchange risk arises from holding cash in United States Dollars (USD) and holding securities listed on the Toronto Stock Exchange (Canadian Dollars - CAD). These securities were sold during the financial year. The Board conducts regular reviews of the Group's exposure and currently there are no foreign exchange programmes in place. The exposure of financial instruments to foreign exchange risk at the reporting date was as follows:

	Consolidated		Parent entity	
	2009 A\$	2008 A\$	2009 A\$	2008 A\$
Cash (USD)	569	1,560	569	1,560
Available-for-sale financial assets (CAD)	–	1,069,235	–	1,069,235
	<b>569</b>	1,070,795	<b>569</b>	1,070,795

The sensitivity of financial instruments held at balance date to a 10% strengthening of the Australian dollar is shown below. It is assumed all other variables remain constant:

	Impact on profit or loss		Impact on equity	
	Consolidated A\$	Parent entity A\$	Consolidated A\$	Parent entity A\$
<b>30 June 2009</b>				
USD	(57)	(57)	–	–
CAD	–	–	–	–

# Notes to the Financial Statements (continued)

## Note 2. Financial risk management (continued)

### (c) Market risk (continued)

#### (i) Foreign exchange risk (continued)

	Impact on profit or loss		Impact on equity	
	Consolidated A\$	Parent entity A\$	Consolidated A\$	Parent entity A\$
<b>30 June 2008</b>				
USD	(156)	(156)	–	–
CAD	(106,924)	(106,924)	–	–

A 10% weakening of the Australian dollar against the above currencies at balance date would have had the equal but opposite effect to the amounts shown above, assuming all other variables remain constant.

#### (ii) Interest rate risk

Interest rate risk arises from holding financial instruments that are subject to movements in interest rates. The Group ensures that as far as possible it maintains excess cash in short term deposits at interest rates maturing over 90 -180 day rolling periods. The Group has no borrowings and no hedging programs were in place during the year. The exposure of financial instruments to interest rate risk at the reporting date was as follows:

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Financial assets</b>				
Cash at bank	1,348	1,321	1,348	1,321
Deposits – at call	170,915	1,130,707	170,915	1,130,707
Deposits – short term	9,500,000	4,000,000	9,500,000	4,000,000
Security deposits	13,500	13,500	13,500	13,500
	<b>9,685,763</b>	<b>5,145,528</b>	<b>9,685,763</b>	<b>5,145,528</b>

Cash and deposits are the only financial instruments exposed to interest rate risk.

The sensitivity of financial assets held at balance date to movements in interest rates is shown below. It is assumed all other variables remain constant:

	Impact on profit or loss Consolidated		Impact on profit or loss Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Interest rates 100 basis points higher	96,858	51,455	96,858	51,455
Interest rates 100 basis points lower	(96,858)	(51,455)	(96,858)	(51,455)



# Notes to the Financial Statements (continued)

## Note 2. Financial risk management (continued)

### (c) Market risk (continued)

#### (iii) Equity price risk

Equity price risk arises from movements in market prices for listed securities held by the Group (other than those arising from interest rate risk or currency risk). The Group sold all its listed securities during the financial year. Investments are managed on an individual basis and material buy and sell decisions are approved by the Board. The sensitivity of financial instruments held at balance date to a 10% movement in equity prices is shown below. It is assumed all other variables remain constant:

	Impact on profit or loss		Impact on equity	
	Consolidated A\$	Parent entity A\$	Consolidated A\$	Parent entity A\$
<b>30 June 2009</b>				
10% increase in equity prices	–	–	–	–
10% decrease in equity prices	–	–	–	–
<b>30 June 2008</b>				
10% increase in equity prices	106,924	106,924	–	–
10% decrease in equity prices	(106,924)	(106,924)	–	–

### (d) Commodity risk

The Group is exposed to commodity price risk. The risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected.

### (e) Fair values

The carrying amounts of financial assets and financial liabilities equals the estimated fair values. The basis for determining fair values is disclosed in Note 1.

### (f) Capital risk management

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. Glengarry Resources Limited is a junior exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

## Note 3. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have had the most significant effect on the amount recognised in the financial statements are discussed below.

- Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Group

# Notes to the Financial Statements (continued)

## Note 3. Critical accounting estimates and judgements (continued)

undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this review include: (i) recent drilling results and reserves and resource estimates (ii) environmental issues that may impact the underlying tenements (iii) the estimated market value of assets at the review date (iv) independent valuations of underlying assets that may be available (v) fundamental economic factors such as commodity prices, exchange rates and current and anticipated operating costs in the industry (vi) the Group's market capitalisation compared to its net assets.

## Note 4. Segment information

### (a) Business segments

The Consolidated Entity operates predominantly in one industry. Its principal activities are those of prospecting and mineral exploration.

### (b) Geographical segments

The Consolidated Entity operates predominantly in Australia.

## Note 5. Other income

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Net gain on disposal of mineral tenements	3,183,232	–	3,183,232	–
Net gain on disposal of plant and equipment	5,496	–	5,496	–
Net foreign exchange gain	–	12,317	–	12,317
	<b>3,188,728</b>	12,317	<b>3,188,728</b>	12,317

## Note 6. Expenses

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Loss before income tax includes the following specific expenses</b>				
Employee benefits expense				
Salaries, fees and other benefits	1,321,214	795,440	1,321,214	795,440
Superannuation	213,497	182,896	213,497	182,896
Share-based payments	54,785	155,579	54,785	155,579
Re-charge to exploration costs	(405,932)	(427,995)	(405,932)	(427,995)
	<b>1,183,564</b>	705,920	<b>1,183,564</b>	705,920
Depreciation on plant and equipment	23,551	19,664	23,551	19,664
Exploration and evaluation expenditure	382,079	88,746	382,079	88,279
Provision for non-recoverability of investment/loan to subsidiary	–	–	–	13,780



# Notes to the Financial Statements (continued)

## Note 6. Expenses (continued)

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Loss before income tax includes the following specific expenses</b>				
Impairment loss on exploration and evaluation assets (Note 13)	<b>2,432,410</b>	583,917	<b>2,432,410</b>	583,917
Rental expense relating to operating leases	<b>95,168</b>	76,007	<b>95,168</b>	76,007
Net foreign exchange loss	<b>6,116</b>	–	<b>6,116</b>	–

## Note 7. Income tax

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Loss from continuing operations before income tax expense	<b>(1,265,869)</b>	(3,505,630)	<b>(1,265,869)</b>	(3,518,943)
Tax at the Australian tax rate of 30%	<b>(379,761)</b>	(1,051,689)	<b>(379,761)</b>	(1,055,683)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Overseas project generation and review costs	<b>73,970</b>	18,664	<b>73,970</b>	18,524
Share-based payments	<b>16,436</b>	46,674	<b>16,436</b>	46,674
Provision for non-recoverability of investment/loan to subsidiary	–	–	–	4,134
Sundry items	<b>273</b>	490	<b>273</b>	490
	<b>(289,082)</b>	(985,861)	<b>(289,082)</b>	(985,861)
Utilisation of previously unrecognised tax losses	<b>(1,240,326)</b>	–	<b>(1,240,326)</b>	–
Under provision of prior year tax	–	177,196	–	177,196
Change in temporary differences (Note 7(d))	<b>796,757</b>	(88,950)	<b>796,757</b>	(88,950)
Current year capital losses not recognised	<b>732,651</b>	9,328	<b>732,651</b>	9,328
Current year tax losses not recognised	–	888,287	–	888,287
Income tax expense	–	–	–	–



# Notes to the Financial Statements (continued)

## Note 7. Income tax (continued)

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(b) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised:				
Tax losses	<b>17,233,058</b>	21,367,478	<b>17,233,058</b>	21,297,740
Capital losses	<b>2,473,264</b>	31,093	<b>2,473,264</b>	31,093
	<b>19,706,322</b>	21,398,571	<b>19,706,322</b>	21,328,833
Potential tax benefit @ 30%	<b>5,911,897</b>	6,419,571	<b>5,911,897</b>	6,398,650

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefit.

### (c) Deferred tax assets not recognised relate to the following:

#### Deferred tax assets

	2009 \$	2008 \$	2009 \$	2008 \$
Tax losses	<b>5,911,897</b>	6,419,571	<b>5,911,897</b>	6,398,650
Taxable temporary differences	<b>(8,416)</b>	(1,392,008)	<b>(8,416)</b>	(1,392,008)
Deductible temporary differences	<b>55,162</b>	641,997	<b>55,162</b>	641,997
Net deferred tax assets	<b>5,958,643</b>	5,669,560	<b>5,958,643</b>	5,648,639

### (d) Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Receivables	–	–	<b>8,416</b>	6,194	<b>8,416</b>	6,194
Available-for-sale financial assets	–	(582,081)	–	–	–	(582,081)
Exploration	–	–	–	1,385,814	–	1,385,814
Accrued expenses/provisions	<b>(35,647)</b>	(23,605)	–	–	<b>(35,647)</b>	(23,605)
Issued capital	<b>(19,515)</b>	(36,311)	–	–	<b>(19,515)</b>	(36,311)
Tax losses	<b>46,746</b>	(750,011)	–	–	<b>46,746</b>	(750,011)
Set off of tax	<b>8,416</b>	1,392,008	<b>(8,416)</b>	(1,392,008)	–	–
Net tax (assets)/liabilities	–	–	–	–	–	–

### (e) Tax consolidation legislation

Glengarry Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Glengarry Resources Limited.



# Notes to the Financial Statements (continued)

## Note 7. Income tax (continued)

### (e) Tax consolidation legislation (continued)

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Glengarry Resources Limited for any current tax payable assumed and are compensated by Glengarry Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Glengarry Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

## Note 8. Current assets – Cash and cash equivalents

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash at bank and on hand	2,667	3,205	2,667	3,205
Deposits – at call	170,915	1,130,707	170,915	1,130,707
Deposits – short term	9,500,000	4,000,000	9,500,000	4,000,000
	<b>9,673,582</b>	<b>5,133,912</b>	<b>9,673,582</b>	<b>5,133,912</b>

### Deposits

The deposits are bearing floating and fixed interest rates between 3.00% and 4.35% (2008: between 7.10% and 7.85%).

## Note 9. Current assets – Other receivables and prepayments

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Other receivables – accrued interest	28,054	20,647	28,054	20,647
Security deposits	43,900	68,900	43,900	68,900
Prepayments	14,275	14,067	14,275	14,067
	<b>86,229</b>	<b>103,614</b>	<b>86,229</b>	<b>103,614</b>

## Note 10. Current assets – Assets classified as held for sale

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Mineral tenements	–	3,296,169	–	3,296,169



# Notes to the Financial Statements (continued)

## Note 11. Non-current assets – Available-for-sale financial assets

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
At the beginning of the year	1,069,235	5,242,707	1,069,235	5,242,707
Revaluation transferred to equity	–	–	–	–
Revaluation transferred to profit or loss	(658,452)	(1,711,807)	(658,452)	(1,711,807)
Disposals (sale)	(410,783)	(2,461,665)	(410,783)	(2,461,665)
At the end of the year	–	1,069,235	–	1,069,235

## Note 12. Non-current assets – Plant and equipment

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Plant and equipment</b>				
Plant and equipment – at cost	147,914	180,157	147,914	180,157
Less: Accumulated depreciation	(109,566)	(114,950)	(109,566)	(114,950)
	38,348	65,207	38,348	65,207

### Non-current assets pledged as security

Non-current assets are not pledged as security by either the Parent Entity or its controlled entities.

### Reconciliation

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Plant and equipment</b>				
At the beginning of the financial year	65,207	56,230	65,207	56,230
Additions	8,342	28,641	8,342	28,641
Disposals	(11,650)	–	(11,650)	–
Depreciation expense (Note 6)	(23,551)	(19,664)	(23,551)	(19,664)
At the end of the financial year	38,348	65,207	38,348	65,207



# Notes to the Financial Statements (continued)

## Note 13. Non-current assets – Exploration and evaluation

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Exploration and evaluation</b>				
Exploration and evaluation	–	1,323,211	–	1,323,211
<b>Reconciliation</b>				
Reconciliation of the carrying amounts of exploration and evaluation at the beginning and end of the current and previous financial year are set out below.				
<b>Exploration and evaluation</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At the beginning of the financial year	<b>1,323,211</b>	2,946,700	<b>1,323,211</b>	2,946,700
Expenditure capitalised	<b>1,143,953</b>	2,256,597	<b>1,143,953</b>	2,256,597
Sale of mineral tenements	<b>(34,754)</b>	–	<b>(34,754)</b>	–
Reclassified as non-current assets held for sale	–	(3,296,169)	–	(3,296,169)
Impairment loss (i)	<b>(2,432,410)</b>	(583,917)	<b>(2,432,410)</b>	(583,917)
At the end of the financial year	–	1,323,211	–	1,323,211

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective project areas.

(i) Impairment losses in 2008 relate to exploration assets relinquished during the year. During the 2009 financial year, an impairment loss of \$1,699,035 was recognised resulting from a change in the Company's overall strategic direction, whereby the Company is not expecting to carry out any further activities on its existing exploration assets. In accordance with the Company's accounting policy (Note 1(h)), the Directors have assessed the recoverable amount considering future plans, the present market conditions for transactions on exploration assets and areas relinquished during the year.

## Note 14. Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade and other creditors	<b>72,535</b>	79,982	<b>72,535</b>	79,982
Accrued expenses	<b>185,162</b>	113,432	<b>185,162</b>	113,432
	<b>257,697</b>	193,414	<b>257,697</b>	193,414

# Notes to the Financial Statements (continued)

## Note 15. Current liabilities – Employee benefits

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Employee benefits	<b>14,798</b>	61,186	<b>14,798</b>	61,186

## Note 16. Issued capital

	Notes	Parent entity		Parent entity	
		2009 Shares	2008 Shares	2009 \$	2008 \$
<b>(a) Share capital</b>					
Ordinary shares					
Fully paid		<b>286,003,678</b>	286,003,678	<b>15,018,292</b>	15,018,292
Option issue premium		–	–	<b>525,963</b>	525,963
	(b)	<b>286,003,678</b>	286,003,678	<b>15,544,255</b>	15,544,255

### (b) Movements in ordinary share capital

Date	Details	Notes	Shares No.	Issue price \$	\$
1 July 2007	Balance		249,177,528		10,931,205
2 August 2007	Placement of shares		35,000,000	0.1250	4,375,000
28 September 2007	Placement of shares		1,826,150	0.1369	250,000
	Less: Transaction costs arising on placement of shares				(11,950)
30 June 2008	Balance		286,003,678		15,544,255
30 June 2009	Balance		286,003,678		15,544,255

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (d) Employee share scheme

Information relating to the Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 24.



# Notes to the Financial Statements (continued)

## Note 17. Reserves

	Notes	Consolidated		Parent entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Share-based payments reserve		<b>351,380</b>	296,595	<b>351,380</b>	296,595
Available-for-sale investments revaluation reserve		–	–	–	–
		<b>351,380</b>	296,595	<b>351,380</b>	296,595
<b>Movements in reserves</b>					
<i>Share-based payments reserve</i>					
Balance at the beginning of the financial year		<b>296,595</b>	141,016	<b>296,595</b>	141,016
Option expense		<b>54,785</b>	155,579	<b>54,785</b>	155,579
Balance at the end of the financial year		<b>351,380</b>	296,595	<b>351,380</b>	296,595
<i>Available-for-sale investments revaluation reserve</i>					
Balance at the beginning of the financial year		–	(379,972)	–	(379,972)
Revaluation		<b>(658,452)</b>	(1,711,807)	<b>(658,452)</b>	(1,711,807)
Transfer to net profit or loss – sale of assets		–	151,510	–	151,510
Transfer to net profit or loss – impairment	6	<b>658,452</b>	1,940,269	<b>658,452</b>	1,940,269
Balance at the end of the financial year		–	–	–	–

### ***Nature and purpose of reserves***

#### *Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options vested but not exercised.

#### *Available-for-sale investments revaluation reserve*

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve as described above. Amounts are recognised in profit and loss when the associated assets are sold or impaired.



# Notes to the Financial Statements (continued)

## Note 18. Accumulated losses

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Accumulated losses at the beginning of the financial year	(5,104,102)	(1,598,472)	(5,104,102)	(1,585,159)
Net loss attributable to members of Glengarry Resources Limited	(1,265,869)	(3,505,630)	(1,265,869)	(3,518,943)
Accumulated losses at the end of the financial year	(6,369,971)	(5,104,102)	(6,369,971)	(5,104,102)

## Note 19. Equity

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Total equity at the beginning of the financial year	10,736,748	9,093,777	10,736,748	9,107,090
Loss for the year	(1,265,869)	(3,505,630)	(1,265,869)	(3,518,943)
Increase/(decrease) in reserves	54,785	535,551	54,785	535,551
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	–	4,613,050	–	4,613,050
Total equity at the end of the financial year	9,525,664	10,736,748	9,525,664	10,736,748

## Note 20. Key management personnel disclosures

### (a) Directors

The following persons were directors of Glengarry Resources Limited during the financial year:

Chairman – non-executive	Executive directors	Non-executive directors
K G McKay	D P Gordon, Managing Director (appointed 4 May 2009) D R Richards, Managing Director (resigned 16 April 2009)	G T Clifford (appointed 22 August 2008) D M Murcia (appointed 16 April 2009) W F Manning (resigned 29 May 2009)

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
K M Seymour	Exploration Manager (resigned 1 July 2009)
G A James	Company Secretary/Chief Financial Officer



# Notes to the Financial Statements (continued)

## Note 20. Key management personnel disclosures (continued)

### (c) Key management personnel compensation

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Short term employee benefits	656,179	603,185	656,179	603,185
Post-employment benefits	198,810	170,215	198,810	170,215
Termination benefits	450,168	–	450,168	–
Share-based payments	49,961	158,507	49,961	158,507
	<b>1,355,118</b>	931,907	<b>1,355,118</b>	931,907

The Company has taken advantage of the relief provided by the *Corporations Regulations* and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found on pages 14 to 20.

### (d) Equity instrument disclosures relating to key management personnel

#### *Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 14 to 20.

#### *Option holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each director of Glengarry Resources Limited and other key management personnel of the Consolidated Entity, including their personally-related parties, are set out below.

2009 Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors of Glengarry Resources Limited</b>						
K G McKay	1,000,000	–	–	–	1,000,000	500,000
D P Gordon	–	–	–	–	–	–
D R Richards (1)	2,000,000	–	–	(2,000,000)	–	–
G T Clifford	–	1,000,000	–	–	1,000,000	250,000
D M Murcia	–	–	–	–	–	–
W F Manning (1)	1,000,000	–	–	(1,000,000)	–	–
<b>Other key management personnel of the group</b>						
K M Seymour	750,000	–	–	–	750,000	750,000
G A James	750,000	–	–	–	750,000	750,000

All vested options are exercisable at the end of the financial year.

(1) Resigned as a director during the year.



# Notes to the Financial Statements (continued)

## Note 20. Key management personnel disclosures (continued)

### (d) Equity instrument disclosures relating to key management personnel (continued)

2008						
Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors of Glengarry Resources Limited</b>						
K G McKay	–	1,000,000	–	–	1,000,000	250,000
D R Richards	2,000,000	–	–	–	2,000,000	2,000,000
D P Gordon	–	–	–	–	–	–
W F Manning	–	1,000,000	–	–	1,000,000	250,000
<b>Other key management personnel of the group</b>						
K M Seymour	1,250,000	–	–	(500,000)	750,000	750,000
G A James	750,000	–	–	–	750,000	250,000

#### Share holdings

The numbers of shares in the Company held during the financial year by each director of Glengarry Resources Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Glengarry Resources Limited</b>				
K G McKay	1,419,000	–	1,000,000	2,419,000
D P Gordon	–	–	44,000,000	44,000,000
D R Richards (1)	1,112,600	–	(1,112,600)	–
G T Clifford	–	–	1,000,000	1,000,000
D M Murcia	–	–	7,000,000	7,000,000
W F Manning (1)	250,000	–	(250,000)	–
<b>Other key management personnel of the group</b>				
K M Seymour	619,000	–	(619,000)	–
G A James	100,000	–	–	100,000

(1) Resigned as a director during the year.



# Notes to the Financial Statements (continued)

## Note 20. Key management personnel disclosures (continued)

### (d) Equity instrument disclosures relating to key management personnel (continued)

2008				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Glengarry Resources Limited</b>				
K G McKay	1,419,000	–	–	1,419,000
D R Richards	999,000	–	113,600	1,112,600
D P Gordon	–	–	–	–
W F Manning	250,000	–	–	250,000
<b>Other key management personnel of the group</b>				
K M Seymour	619,000	–	–	619,000
G A James	100,000	–	–	100,000

### (e) Loans to key management personnel

There are no loans made to directors or other key management personnel of Glengarry Resources Limited or the Consolidated Entity.

### (f) Other transactions with key management personnel

#### Directors of Glengarry Resources Limited

During the year, consulting fees for geological and other services of \$37,666 were paid or payable to Mr Keith McKay (2008: \$9,000).

During the year, legal fees of \$8,987 were paid or payable to Murcia Pestell Hillard, a firm in which Mr Didier Murcia is a partner (2008 \$nil).

## Note 21. Remuneration of auditors

	Consolidated		Parent entity	
	2009	2008	2009	2008
During the year the following fees were paid or payable for services provided by the auditor of the Parent Entity:	\$	\$	\$	\$
<b>Audit services</b>				
KPMG Australian firm:				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	27,500	27,500	27,500	27,500
<b>Non-audit services</b>				
KPMG Australian firm:				
Taxation services	13,987	6,950	13,987	6,950

# Notes to the Financial Statements (continued)

## Note 22. Contingent liabilities

The Parent Entity and Consolidated Entity had contingent liabilities at 30 June 2009 in respect of:

### Guarantees

Guarantees given in respect of bank security bonds amounting to \$13,475 (2008 – \$13,475), secured by cash deposits lodged as security with the bank.

No material losses are anticipated in respect of any of the above contingent liabilities.

## Note 23. Commitments for expenditure

### Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments.

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Contracted for but not provided and payable:				
Within one year	694,918	1,444,044	694,918	1,444,044
Later than one year but not later than 5 years	2,708,172	4,249,176	2,708,172	4,249,176
	<b>3,403,090</b>	5,693,220	<b>3,403,090</b>	5,693,220

The above commitments may be reduced by tenement withdrawals, concessions, exemptions, reductions and joint venture arrangements with third parties.

### Lease commitments

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable, representing non-cancellable operating leases:				
Within one year	48,726	90,765	48,726	90,765
Later than one year but not later than 5 years	–	45,383	–	45,383
	<b>48,726</b>	136,148	<b>48,726</b>	136,148

## Note 24. Employee benefits

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Employee benefit and related on-costs liabilities</b>				
Included in current liabilities – provisions (Note 15)	14,798	61,186	14,798	61,186
Aggregate employee benefit and related on-costs liabilities	<b>14,798</b>	61,186	<b>14,798</b>	61,186

There are currently no liabilities for termination benefits that are expected to be settled more than 12 months from the reporting date.



# Notes to the Financial Statements (continued)

## Note 24. Employee benefits (continued)

### Employee Share Option Plan

The Employee Share Option Plan ("Plan") was approved by shareholders at the 2007 annual general meeting. All employees (including directors) are eligible to participate in the Plan.

Options to acquire shares are issued on the following terms under the Plan:

- The Board of Directors may determine which employees and Directors are entitled to participate in the Plan and the extent of the participation.
- The Board of Directors may offer options to any eligible person at such times and on such terms as the Board considers appropriate.
- The exercise price of the options will be determined by the Board in its absolute discretion but having regard to the market value of the Company's shares when it resolves to offer the options.
- If an Offeree as defined in the Plan ceases to be a Director or an employee after an option has become exercisable, the options may be exercised during the following 3 months or such longer period as the Board determines.
- Options are granted under the Plan for no consideration and carry no dividend or voting rights.
- When exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted under the Plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number	Number
<b>Consolidated and parent entity – 2009</b>								
10/04/06	10/04/11	0.110	600,000	–	–	–	600,000	600,000
10/04/06	10/04/11	0.130	750,000	–	–	–	750,000	750,000
10/04/06	10/04/11	0.150	1,500,000	–	–	–	1,500,000	1,500,000
19/03/07	19/03/12	0.115	250,000	–	–	–	250,000	250,000
19/03/07	19/03/12	0.135	500,000	–	–	–	500,000	500,000
20/11/07	20/11/12	0.205	500,000	–	–	–	500,000	500,000
20/11/07	20/11/12	0.245	500,000	–	–	–	500,000	500,000
20/11/07	20/11/12	0.285	1,000,000	–	–	(500,000)	500,000	–
12/08/08	12/08/13	0.120	–	50,000	–	(50,000)	–	–
12/08/08	12/08/13	0.140	–	50,000	–	(50,000)	–	–
12/08/08	12/08/13	0.165	–	100,000	–	(100,000)	–	–
29/08/08	29/08/13	0.125	–	50,000	–	–	50,000	50,000
29/08/08	29/08/13	0.150	–	50,000	–	–	50,000	–
29/08/08	29/08/13	0.175	–	100,000	–	–	100,000	–
15/12/08	15/12/13	0.100	–	250,000	–	–	250,000	250,000
15/12/08	15/12/13	0.120	–	250,000	–	–	250,000	–
15/12/08	15/12/13	0.140	–	500,000	–	–	500,000	–
			5,600,000	1,400,000	–	(700,000)	6,300,000	4,900,000
Weighted average exercise price			\$0.178	\$0.133	\$0.000	\$0.246	\$0.160	\$0.151

# Notes to the Financial Statements (continued)

## Note 24. Employee benefits (continued)

### Employee Share Option Plan (continued)

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number	Number
<b>Consolidated and parent entity – 2008</b>								
06/10/04	01/09/07	0.150	500,000	–	–	(500,000)	–	–
10/04/06	10/04/11	0.110	600,000	–	–	–	600,000	600,000
10/04/06	10/04/11	0.130	750,000	–	–	–	750,000	750,000
10/04/06	10/04/11	0.150	1,500,000	–	–	–	1,500,000	1,500,000
19/03/07	19/03/12	0.090	125,000	–	–	(125,000)	–	–
19/03/07	19/03/12	0.105	125,000	–	–	(125,000)	–	–
19/03/07	19/03/12	0.115	250,000	–	–	–	250,000	250,000
19/03/07	19/03/12	0.125	250,000	–	–	(250,000)	–	–
19/03/07	19/03/12	0.135	500,000	–	–	–	500,000	–
20/11/07	20/11/12	0.205	–	500,000	–	–	500,000	500,000
20/11/07	20/11/12	0.245	–	500,000	–	–	500,000	–
20/11/07	20/11/12	0.285	–	1,000,000	–	–	1,000,000	–
			4,600,000	2,000,000	–	(1,000,000)	5,600,000	3,600,000
Weighted average exercise price			\$0.134	\$0.255	\$0.000	\$0.131	\$0.178	\$0.144

No options were exercised during the year ended 30 June 2009 and no options were exercised during the year ended 30 June 2008.

The assessed weighted average fair value at grant date of options granted during the year ended 30 June 2009 was \$0.023 (2008 \$0.108). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, 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.

The model inputs for 2009 include:

Weighted average exercise price: \$0.133

Average life of the option: 5 years

Underlying share price: ranging from \$0.039 to \$0.046

Expected share price volatility (based on historic volatility): 95%

Dividend yield: nil

Risk-free interest rate: ranging from 3.80% to 5.78%



# Notes to the Financial Statements (continued)

## Note 24. Employee benefits (continued)

### Employee Share Option Plan (continued)

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Total expenses arising from share-based payment transactions recognised as part of employee benefit expense	54,785	155,579	54,785	155,579

## Note 25. Related parties

### Directors and specified executives

Disclosures relating to directors and other key management personnel are set out in the Directors' Report and Note 20.

### Wholly-owned group

The wholly-owned group consists of Glengarry Resources Limited and its wholly-owned controlled entities. Ownership interests are set out in Note 26. Glengarry Resources Limited is the ultimate Australian Parent Entity of the Consolidated Entity. Glengarry Resources Limited is a Company limited by shares that is incorporated and domiciled in Australia.

### Loans to subsidiary

The Parent Entity has an impaired loan to a wholly-owned subsidiary. The amount of the loan is \$175,759 (2008: \$175,759). A provision for non-recovery has been raised against the loan of \$175,759 (2008: \$175,759).

### Shares in subsidiary

The Parent Entity has an impaired investment in a wholly-owned subsidiary. The amount of the investment is \$1 (2008: \$1). A provision for non-recovery has been raised against the investment of \$1 (2008: \$1).

## Note 26. Investments in controlled entities

In the current period Glengarry Resources Limited is consolidating 2 subsidiaries (2008: 2). The carrying value of the subsidiaries is \$nil (2008: \$nil).

## Note 27. Farm-in and joint venture exploration agreements

The Company has entered into a farm-in and joint venture exploration agreement with Summit Resources (Aust) Pty Ltd for the Mt Guide Project. Summit has earned a 90% interest in the Project. MM Mining Plc is earning 80% of Summit's interest in the Project. The Company has a free carried 10% interest in the Project until the completion of a bankable feasibility study.

The Company has entered into a farm-in and joint venture exploration agreement with Ivanhoe Australia Ltd for the Snake Creek Project. Ivanhoe can earn an 85% interest in the Project prior to entering into a joint venture with the Company.

## Note 28. Events occurring after reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.



# Notes to the Financial Statements (continued)

## Note 29. Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Operating loss after income tax	(1,265,869)	(3,505,630)	(1,265,869)	(3,518,943)
Depreciation	23,551	19,664	23,551	19,664
Carrying value of non-current assets written off	–	–	–	13,780
Foreign exchange loss	6,618	–	6,618	–
Exploration and evaluation expenditure	382,079	88,746	382,079	88,279
Non-cash employee benefits expense – share based payments	54,785	155,579	54,785	155,579
(Profit) on sale of mineral tenements	(3,183,232)	–	(3,183,232)	–
(Profit)/loss on sale of available-for-sale financial assets	(156,550)	31,093	(156,550)	31,093
Impairment losses				
Exploration and evaluation assets	2,432,410	583,917	2,432,410	583,917
Available-for-sale financial assets	658,452	1,940,269	658,452	1,940,269
(Profit)/loss on sale of plant and equipment	(5,496)	–	(5,496)	–
Change in operating assets and liabilities				
(Increase) in other receivables	(7,616)	(12,083)	(7,616)	(12,083)
Increase in trade creditors and provisions	26,352	5,745	26,352	5,745
Net cash used in operating activities	(1,034,516)	(692,700)	(1,034,516)	(692,700)

## Note 30. Loss per share

	Consolidated	
	2009 Cents	2008 Cents
Basic loss per share	(0.44)	(1.24)
Diluted loss per share	(0.44)	(1.24)
Weighted average number of shares used as the denominator	2009 Number	2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	286,003,678	282,389,011
Adjustments for calculation of diluted loss per share:		
Options	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	286,003,678	282,389,011
There were a further 6,300,000 (2008: 5,600,000) potential ordinary shares (options) not considered to be dilutive.		
<b>Losses used in calculating loss per share</b>		
Net loss	(1,265,869)	(3,505,630)



# Notes to the Financial Statements (continued)

## Note 31. Finance income and expense

	Consolidated		Parent entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Finance income				
Interest income on bank deposits	<b>545,314</b>	349,015	<b>545,314</b>	349,015
Net gain on sale of available-for-sale financial assets	<b>156,550</b>	–	<b>156,550</b>	–
	<b>701,864</b>	349,015	<b>701,864</b>	349,015
Finance expense				
Impairment losses on available-for-sale financial assets	<b>(658,452)</b>	(1,940,269)	<b>(658,452)</b>	(1,940,269)
Net loss on sale of available-for-sale financial assets	–	(31,093)	–	(31,093)
	<b>(658,452)</b>	(1,971,362)	<b>(658,452)</b>	(1,971,362)
Net finance income/(expense) recognised in profit or loss	<b>43,412</b>	(1,622,347)	<b>43,412</b>	(1,622,347)



# Directors' Declaration

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In the opinion of the directors of Glengarry Resources Limited (the "Company"):

- (a) The financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 14 to 20 are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
  - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the managing director and the chief financial officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors.



**D P Gordon**

Managing Director

Perth

21 September 2009



## Independent auditor's report to the members of Glengarry Resources Limited

### Report on the financial report

We have audited the accompanying financial report of Glengarry Resources Ltd (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 30 to 67 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the 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 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. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG, an Australian partnership, is part of the KPMG international network.  
KPMG International is a Swiss cooperative.



*Auditor's opinion*

In our opinion:

- (a) the financial report of Glengarry Resources Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

**Report on the remuneration report**

We have audited the Remuneration Report included in section 11 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Glengarry Resources Ltd for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.



KPMG



T R Hart  
*Partner*

Perth  
21 September 2009

# Mineral Tenement Interests

PROJECT	TENEMENT	AREA (sq km)	INTEREST	JV PARTNER(S)	OPERATOR
<b>GOLD – BASE METAL – PROJECTS</b>					
<b>Queensland</b>					
Lucky Creek	MDL 107	1	100%		
Percyvale	EPM 16117	363	100%		
Hampstead	EPM 16501	149	100%		
Mt Guide	EPM 14233	134	10% (1)	Summit Resources (Aust) Pty Ltd, 90%	MM Mining Plc
Snake Creek	EPM 14449	115	100% (2)		
<b>Western Australia</b>					
Citadel	E45/2874	189	100%		
	E45/2876	576			
	E45/2877	630			
	E45/2901	314			

## Notes

- (1) Subject to a Farm-in and Joint Venture Exploration Agreement with Summit Resources (Aust) Pty Ltd. Summit has earned a 90% interest in the Project. MM Mining Plc is earning 80% of Summit's interest in the Project.
- (2) Subject to a Farm-in and Joint Venture Exploration Agreement with Ivanhoe Australia Limited. Ivanhoe can earn an 85% interest in the Project prior to entering into a joint venture with Glengarry.

E Exploration Licence (WA)

EPM Exploration Permit for Minerals (Qld)

MDL Mineral Development Licence (Qld)



# Shareholder Information

The shareholder information set out below was applicable as at 22 September 2009.

## A. Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

Mr Darren Gordon – 44,000,000 shares.

## B. Class of Shares and Voting Rights

(a) At 22 September 2009 there were 2,747 holders of ordinary shares in the Company.

(b) The voting rights attaching to the ordinary shares, set out in Clause 41 of the Company's Constitution, are:

On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid is of the total amounts paid and payable, excluding amounts credited, provided that the amounts paid in advance of a call are ignored when calculating a true portion.

(c) At 22 September 2009, there were 9 holders of options over 12,600,000 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

## C. Distribution of Equity Securities

(a) Analysis of numbers of equity security holders by size of holding:

	Class of Equity Security	
	Ordinary Shares	
	Shares	Options
1 – 1,000	48	–
1,001 – 5,000	273	–
5,001 – 10,000	484	–
10,001 – 100,000	1,520	1
100,001 and over	422	8
	2,747	9

(b) There were 473 holders of less than a marketable parcel of ordinary shares.



# Shareholder Information (continued)

## D. Equity Security Holders

### *Twenty largest quoted equity security holders*

The names of the twenty largest holders of each class of quoted equity security are listed below:

Name	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Mr Darren Gordon	44,000,000	15.38
ANZ Nominees Ltd	8,374,639	2.93
MPH Resources Pty Ltd	7,000,000	2.45
Mr Bradley Bolin	4,400,000	1.54
Parkes Holdings Pty Ltd	4,119,000	1.44
Nefco Nominees Pty Ltd	3,952,000	1.38
Citicorp Nominees Pty Ltd	3,789,955	1.32
Ombord Pty Ltd	2,719,500	0.95
HSBC Custody Nominees (Aust) Ltd	2,712,121	0.95
Mr Malcolm Thom	2,619,000	0.92
Mrs Suzanne McKay	2,419,000	0.85
Custodial Services Limited	2,110,000	0.74
Dr Leon Pretorius	2,020,000	0.71
Tallenay Pty Ltd	2,000,000	0.70
Mr Kevin Press	2,000,000	0.70
Mr Adrian Hill	2,000,000	0.70
Brodrick Nominees Pty Ltd	1,600,000	0.56
Mr Charlie Georgees	1,468,000	0.51
Mr Antonio Aceti	1,419,312	0.50
National Nominees Limited	1,268,056	0.44
	101,990,583	35.67

## E. Restricted Securities

The Company currently has no restricted securities.

## F. On-market Buy Back

There is no current on-market buy back.



# NOTES

# NOTES



**G L E N G A R R Y**

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