

Directors' report

Your directors present their report on the consolidated entity consisting of Glengarry Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2002.

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: A T Harris, A J Alston and M J Glasson.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of exploration for gold and other mineral resources.

Dividends - Glengarry Resources Limited

No dividend was paid or declared by the company in the period since the end of the previous financial year and up to the date of this report. The directors do not recommend that any amount be paid by way of dividend.

Review of operations

A summary of consolidated revenues and results is set out below:

	Revenues		Results	
	2002 \$	2001 \$	2002 \$	2001 \$
Sale of non-current assets	1,551,445	3,300,930	549,344	1,465,081
Other ordinary activities	70,696	143,987	(528,329)	(1,223,273)
	<u>1,622,141</u>	<u>3,444,917</u>		
Profit from ordinary activities before income tax expense			21,015	241,808
Income tax expense			-	-
Net profit from ordinary activities after income tax expense attributable to members of Glengarry Resources Limited			<u>21,015</u>	<u>241,808</u>

A review of operations of the consolidated entity is set out in the separate section titled "Review of activities" on pages 4 to 12.

Earnings per share	2002 cents	2001 cents
Basic earnings per share	0.019	0.22
Diluted earnings per share	0.013	0.16

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

	2002 \$
(a) A decrease in contributed equity of \$19,161,588 (from \$24,607,664 to \$5,446,076) as a result of:	
Issue of 54,687,642 15 cent options expiring 31 March 2005 at a premium of 1 cent per option less option issue expenses of \$20,913	525,963
Reduction of capital	(19,687,551)
Net increase(decrease) in share capital	<u>(19,161,588)</u>

Directors' report *(continued)*

(b) Net cash received from the option issue amounting to \$525,963 was used as working capital.

Matters subsequent to the end of the financial year

Since 30 June 2002 no matter or circumstance has arisen that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Other than likely developments contained in the "Review of activities", 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.

Environmental regulation

The consolidated entity is subject to the environmental laws and regulations imposed under the Mining Act 1978 of Western Australia and the Mineral Resources Act 1989 (Queensland) depending on the activities being undertaken. The company is currently only engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a licence 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 regulations during the year.

Information on directors

Director	Experience	Special responsibilities	Particulars of directors' interests in shares and options of parent entity	
			Ordinary shares	Options
A T Harris FCA	Non-executive director for 10 years. Chartered accountant with 24 years experience in the mining industry.	Non-executive Chairman	12,267,548	10,000,000
A J Alston BSc (Geol), MAusIMM, MAIG	Non-executive director for 3 years. Appointed executive director on 1 July 2001. Geologist with 30 years experience in the mining industry.	Exploration Director	3,225,934	1,345,000
M J Glasson BSc(hons), MSc, FAusIMM	Non-executive director for 2 years. Geologist with 26 years experience in the mining industry.	Consulting Geologist	102,500	51,250

Meetings of directors

The number of meetings of the company's board of directors held during the year ended 30 June 2002, and the number of meetings attended by each director were:

	Full meetings of directors
Number of meetings held	5
Number of meetings attended	
A T Harris	5
A J Alston	5
M J Glasson	5

Directors' report *(continued)*

Retirement, election and continuation in office of directors

Mr M J Glasson is the director retiring by rotation who, being eligible, offers himself for re-election.

Directors' and executives' emoluments

The Board determines remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements and fringe benefits. Executives are also eligible to participate in the Employee Incentive Scheme.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration and other terms of employment for executive directors and all executives are formalised in writing.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive directors are also entitled to retirement benefits in accordance with a shareholder approved scheme.

Details of the nature and amount of each element of the emoluments of each director of Glengarry Resources Limited and each of the 5 officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-executive directors of Glengarry Resources Limited

Name	Directors' base fee	Consulting fees	Superannuation	Total
	\$	\$	\$	\$
A T Harris, Chairman	40,000	75,075	3,200	118,275
M J Glasson, Director	25,000	40,598	2,000	67,598

Executive directors of Glengarry Resources Limited

Name	Base salary	Motor vehicle	Bonus	Superannuation	Total
	\$	\$	\$	\$	\$
A J Alston, Exploration Director	115,741	4,408	18,519	10,740	149,408

Other executives of Glengarry Resources Limited

There were no other executives employed by the company during the year.

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
12 June 2002	31 March 2005	15 cents	54,687,642

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

Shares issued on the exercise of options

No shares of Glengarry Resources Limited were issued during the year ended 30 June 2002 on the exercise of options. Since that date 1,867 ordinary shares fully paid have been issued on the exercise of 1,867 options at 15 cents per share.

Directors' report *(continued)*

Insurance of officers

During the financial year, Glengarry Resources Limited paid a premium of \$18,561 to insure the directors and secretary of the company.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entities in the consolidated entity.

Proceedings on behalf of the company

No person has applied to the Court under section 236 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 236 of the Corporations Act 2001.

Audit committee

Given the present size of the company and its Board, the full Board carries out the functions of an audit committee.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

A T Harris

Director

Perth

26 September 2002

Corporate governance statement

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 these sometime competing objectives in the best interests of the company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the company and its controlled entities are properly managed. The board draws on relevant corporate governance best practice principles to assist it to contribute to the performance of the company.

Day to day management of the company's affairs and implementation of corporate strategy and policy initiatives are delegated by the board to the Managing Director or his counterpart and senior executives.

The functions of the board include:

- review and approval of corporate strategies, the annual budget and financial plans
- overseeing and monitoring organisational performance and the achievement of the company's strategic goals and objectives
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors
- appointment of, and assessment of the performance of, the Managing Director or his counterpart and the members of the senior management team
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- ensuring the significant risks facing the company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place, and
- reporting to shareholders.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The board of directors

The board operates in accordance with the following broad principles:

- the board should be comprised of both executive and non-executive directors with a majority of non-executive directors.
- At the date of signing the directors' report the board consisted of two non-executive directors and one executive director.
- Further information about the directors is set out in the directors' report under the heading "Information on directors".
- in recognition of the importance of independent views and the board's role in supervising the activities of management the Chairman should be a non-executive director.
- the Chairman of the board is elected by the full board and should meet regularly with the Managing Director or his counterpart.
- there is sufficient benefit to the company in maintaining a mix of directors on the board from different backgrounds with complementary skills and experience.
- the board should undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the company.
- each director is encouraged to hold a minimum of 100,000 shares in the company.
- all communications between directors and other staff of the company or between the directors and members of the executive management team will be co-ordinated through the office of the Managing Director or his counterpart.

Given the present size of the company and its board, the board has decided not to establish separate nomination, remuneration and audit committees. It is the responsibility of the full board to carry out these functions.

The company's Constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election subject to the following limitations:

- no director (other than the Managing Director) may serve more than five terms (fifteen years), and
- on attaining the age of 70 years a director will retire, by agreement, at the next AGM and will not seek re-election.

In addition the board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of the company and directors with an external or fresh perspective.

Commitment

The board meets on a regular basis, both formally and informally, to meet the demands of the company's activities.

Non-executive directors are expected to spend sufficient time preparing for, and attending, board and management meetings and associated activities.

Corporate governance statement *(continued)*

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2002 and the number of meetings attended by each director is disclosed on page 10.

Conflict of interests

Entities connected with Mr A T Harris and Mr M J Glasson had business dealings with the consolidated entity during the year, as described in note 25 to the financial statements. In accordance with board practice and the Corporations Act 2001 requirements, the directors concerned declared their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers pertaining to those dealings.

Given the size of the company and its board, the non-executive directors are actively involved in the management of the company. Transactions between the directors and the company are strictly in accordance with normal commercial terms and conditions and are on terms no more favourable to the directors than would be reasonable if the parties were dealing at arms length.

Independent professional advice

Directors 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.

The Chairman meets privately with each director to discuss their individual performance.

Board nominations

The main responsibilities of the board are to review the membership of the board and the performance of executive directors on an annual basis, having regard to present and future needs of the company and to make recommendations on board composition and appointments. The results of this review are considered by the board as part of the annual board performance review.

When the need for a new director is identified, the board prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants. The board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the company.

New directors are provided with a letter of appointment setting out their responsibilities and rights.

Remuneration

The board determines remuneration policies and practices generally, and determines remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the board having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Employee Incentive Scheme.

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the consolidated entity's operations and achieving the company's strategic objectives.

Remuneration and other terms of employment for the Managing Director or his counterpart and certain other senior executives are formalised in service agreements.

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time.

The board is responsible for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

Further information on directors' and executives' remuneration is set out in the directors' report and notes 18 and 19 to the financial statements.

The board also assumes responsibility for management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Corporate governance statement *(continued)*

Audit

The main responsibilities of the board are to:

- review the annual report, the half-year financial report and all other financial information published by the company or released to the market
- review the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework, and
- determine the removal and remuneration of the external auditors, and review the terms of their engagement and the quality of the audit.

In fulfilling its responsibilities, the board receives regular reports from management and the auditors. It also meets with the auditors at least twice a year – more frequently if necessary. The auditors have a clear line of direct communication at any time to the Chairman of the board.

The board may seek any information it requires from any employee or external party.

Risk assessment and management

The company's focus on risk management recognises that risk management is, prima facie, an issue for line management, however, as a small company the board works closely with management to identify and manage operational, financial and legislative risks which would prevent the company from achieving its objectives.

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.

Environment, health and safety

The company recognises the importance of environmental and occupational health and safety issues and is committed to the highest levels of performance.

Information on compliance with significant environmental regulations is set out in the directors' report.

Ethical standards

The company requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of both the law and company policies.

The purchase and sale of company securities by directors and employees is only permitted during a reasonable period following the release of company announcements to the market. Any transactions undertaken must be notified to the company secretary.

Continuous disclosure

The company secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The company maintains 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.

All information disclosed to the ASX is posted on the company's web site as soon as it is disclosed 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 web site. 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.

Financial report 30 June 2002

Contents	Page
Financial report	
Statements of financial performance	21
Statements of financial position	22
Statements of cash flows	23
Notes to the financial statements	24
Directors' declaration	43
Independent audit report to the members	44

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
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 review of operations and activities on pages 4 - 8 and in the directors' report on pages 9 - 12.

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.glengarrynl.com.au.

For queries in relation to our reporting, please call (08) 9322 4929, or e-mail questions to info@glengarrynl.com.au.

Statements of financial performance

For the year ended 30 June 2002

	Notes	Consolidated		Parent entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Revenue from ordinary activities	2	1,622,141	3,444,917	1,622,141	130,594
Employee benefits expense	3	(160,858)	(200,813)	(160,858)	(200,813)
Depreciation and amortisation expenses	3	(17,510)	(24,042)	(17,510)	(24,042)
Exploration expenditure written off	3	(130,264)	(621,387)	(130,264)	(621,387)
Reversal of provision for non-recovery of loans to controlled entities	3	-	-	-	1,479,547
Carrying amount of non-current assets sold	3	(1,002,101)	(1,817,430)	(1,002,101)	-
Consultancy costs	25	(128,363)	(239,128)	(128,363)	(239,128)
Other expenses from ordinary activities		(162,030)	(300,309)	(162,030)	(282,970)
Profit from ordinary activities before income tax expense	3	21,015	241,808	21,015	241,801
Income tax expense	4	-	-	-	-
Net profit		21,015	241,808	21,015	241,801
Total changes in equity other than those resulting from transactions with owners as owners	16	21,015	241,808	21,015	241,801
		Cents	Cents		
Basic earnings per share	32	0.019	0.22		
Diluted earnings per share	32	0.013	0.16		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position

As at 30 June 2002

	Notes	Consolidated		Parent entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Current assets					
Cash assets	5, 17	1,757,510	1,019,838	1,757,510	1,019,838
Receivables	6, 17	126,217	38,032	126,217	37,796
Other	7	14,802	11,963	14,802	11,963
Total current assets		1,898,529	1,069,833	1,898,529	1,069,597
Non-current assets					
Receivables	8	-	-	-	236
Other financial assets	9, 17	1,045,582	1,878,000	1,045,582	1,878,000
Exploration and evaluation	10	2,361,734	1,809,438	2,361,734	1,809,438
Plant and equipment	11	71,265	35,605	71,265	35,605
Total non-current assets		3,478,581	3,723,043	3,478,581	3,723,279
Total assets		5,377,110	4,792,876	5,377,110	4,792,876
Current liabilities					
Payables	12, 17	118,934	88,044	118,934	88,044
Provisions	13	6,593	227	6,593	227
Total current liabilities		125,527	88,271	125,527	88,271
Total liabilities		125,527	88,271	125,527	88,271
Net assets		5,251,583	4,704,605	5,251,583	4,704,605
Equity					
Parent entity interest					
Contributed equity	14	5,446,076	24,607,664	5,446,076	24,607,664
Accumulated losses	15	(194,493)	(19,903,059)	(194,493)	(19,903,059)
Total equity	16	5,251,583	4,704,605	5,251,583	4,704,605

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

Statements of cash flows

For the year ended 30 June 2002

	Notes	Consolidated		Parent entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Cash flows from operating activities					
Sundry income received (inclusive of goods and services tax)		124,236	183,456	124,236	183,456
Payments to suppliers and employees (inclusive of goods and services tax)		(611,547)	(687,362)	(611,783)	(687,356)
		(487,311)	(503,906)	(487,547)	(503,900)
Interest received		35,726	61,594	35,726	47,271
Net cash outflow from operating activities	30	(451,585)	(442,312)	(451,821)	(456,629)
Cash flows from investing activities					
Payments for plant and equipment		(52,032)	(1,928)	(52,032)	(1,928)
Payments for investments		(78,616)	(268,820)	(78,616)	(268,820)
Exploration and evaluation expenditure		(663,962)	(708,173)	(663,962)	(708,173)
Proceeds from sale of property, plant and equipment		-	1,500,930	-	18,270
Proceeds from sale of investments		1,456,264	-	1,456,264	-
Proceeds from bills of exchange		-	398,073	-	-
Repayment of loans by controlled entities		-	-	236	2,160,044
Net cash inflow from investing activities		661,654	920,082	661,890	1,199,393
Cash flows from financing activities					
Proceeds from issue of options	14	546,876	74,996	546,876	74,996
Option issue costs		(19,273)	-	(19,273)	-
Net cash inflow from financing activities		527,603	74,996	527,603	74,996
Net increase in cash held		737,672	552,766	737,672	817,760
Cash at the beginning of the financial year		1,019,838	467,072	1,019,838	202,078
Cash at the end of the financial year	5	1,757,510	1,019,838	1,757,510	1,019,838
Non-cash financing and investing activities	31				

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

30 June 2002

Note	Contents	Page
1	Summary of significant accounting policies	25
2	Revenue	28
3	Profit from ordinary activities	29
4	Income tax	30
	Current assets	
5	Cash assets	30
6	Receivables	31
7	Other	31
	Non-current assets	
8	Receivables	31
9	Other financial assets	31
10	Exploration and evaluation	32
11	Plant and equipment	32
	Current liabilities	
12	Payables	33
13	Provisions	33
14	Contributed equity	33
15	Accumulated losses	34
16	Equity	34
17	Financial instruments	35
18	Remuneration of directors	36
19	Remuneration of executives	36
20	Remuneration of auditors	36
21	Interests in joint ventures	37
22	Contingent liabilities	37
23	Commitments for expenditure	37
24	Employee entitlements	38
25	Related parties	38
26	Investments in controlled entities	41
27	Deed of cross guarantee	41
28	Events occurring after reporting date	41
29	Segment information	41
30	Reconciliation of profit from ordinary activities after income tax to net cash outflow from operating activities	42
31	Non-cash financing and investing activities	42
32	Earnings per share	42

Notes to the financial statements

30 June 2002

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Glengarry Resources Limited ("company" or "parent entity") as at 30 June 2002 and the results of all controlled entities for the year then ended. Glengarry Resources Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in joint ventures are accounted for as set out in note 1(l).

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as a revenue in the statement of financial performance.

(d) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue includes interest income on short term investments, proceeds from the disposal of non-current assets and sundry other revenue items.

(e) Receivables

Debtors are recognised at the amounts receivable as they are due no more than 30 days from the date of recognition.

Notes to the financial statements

30 June 2002 (*continued*)

Note 1. Summary of significant accounting policies (continued)

(f) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. (Details of the principal areas of interest held by the consolidated entity are set out on page 43).

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

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

Expenditure which fails to meet at least one of the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 1015 Accounting for the Acquisition of Assets. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the company's rights of tenure to that area of interest are current.

Notes to the financial statements

30 June 2002 (*continued*)

Note 1. Summary of significant accounting policies (continued)

(h) Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

(i) Investments

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements, are brought to account at the lower of cost and net realisable value and dividend income is recognised in the statement of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

The interest in a joint venture is accounted for as set out in note 1(l).

(j) Depreciation of plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives of plant and equipment is three to five years.

(k) Trade and other creditors

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

(l) Joint ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 21.

(m) Web site costs

Costs in relation to web sites controlled by a controlled entity are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from 2 to 5 years.

(n) Employee entitlements

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

Liabilities for wages and salaries, annual leave and sick leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Long service leave

A liability for long service leave is recognised, 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Notes to the financial statements

30 June 2002 (*continued*)

Note 1. Summary of significant accounting policies (continued)

(o) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Change in basis of determining earnings per shares

In previous years basic earnings per share was determined using the profit from ordinary activities after income tax and preference share dividends attributable to members of the company, thereby excluding extraordinary items from earnings. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with AASB 1027 Earnings per Share, issued in June 2001.

The earnings per share information for the year ended 30 June 2001 has been recalculated to present the comparative amounts on a consistent basis with the current financial year.

Note 2. Revenue

Notes	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Revenue from operating activities				
Tenement cost recoveries	5,970	60,834	5,970	60,834
Expenses recouped	4,000	21,559	4,000	21,559
	9,970	82,393	9,970	82,393
Revenue from outside the operating activities				
Interest	35,726	61,594	35,726	47,271
Sale of non-current assets	1,551,445	3,300,930	1,551,445	930
Tenement option fees	25,000	-	25,000	-
	1,612,171	3,362,524	1,612,171	48,201
Revenue from ordinary activities	1,622,141	3,444,917	1,622,141	130,594

Notes to the financial statements

30 June 2002 (*continued*)

Note 3. Profit from ordinary activities

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
(a) Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal of:				
Investments	549,344	-	549,344	-
Property, plant and equipment	-	1,465,081	-	-
Write up of unitised cash investment to recoverable amount	2,672	4,196	2,672	4,196
Reversal of write down of investments	91,067	-	91,067	-
Reversal of provision for non-recovery on loans to controlled entities	-	-	-	1,479,547
Tenement option fees	25,000	-	25,000	-
Expenses				
Depreciation				
Plant and equipment	17,510	24,042	17,510	24,042
Other charges against assets				
Write down of exploration and evaluation expenditure	130,264	621,387	130,264	621,387
Write down of investments to recoverable amount	-	186,624	-	186,631
Net loss on disposal of property, plant and equipment	-	-	-	149
Other provisions				
Employee entitlements	6,593	227	6,593	227
Employee benefits expense				
Gross expense	311,551	249,942	311,551	249,942
Amount capitalised	(150,693)	(49,129)	(150,693)	(49,129)
Net employee benefits expense	160,858	200,813	160,858	200,813
(b) Individually significant items				
Gains				
Net gain on disposal of non-current assets includes the following gains:				
Sale of investments -				
Cash consideration	1,551,445	-	1,551,445	-
Carrying amount of investments sold	(1,002,101)	-	(1,002,101)	-
Gain on sale	549,344	-	549,344	-
Sale of mining tenements -				
Consideration - cash and securities	-	3,282,660	-	-
Carrying amount of tenements sold	-	(1,817,430)	-	-
Gain on sale	-	1,465,230	-	-

Notes to the financial statements

30 June 2002 (*continued*)

Note 4. Income tax

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
(a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	21,015	241,808	21,015	241,801
Income tax calculated @ 30% (2001 - 34%)	6,305	82,212	6,305	82,212
Tax effect of permanent differences:				
- Reversal of provision for loss on loans to controlled entities	-	-	-	(503,046)
- Exploration expenditure written off	39,079	211,272	39,079	211,272
- Sundry items	(29,802)	2,574	(29,802)	2,574
- Tax losses transferred from controlled entities (note 25)	-	-	(164,183)	-
Income tax adjusted for permanent differences	15,582	296,058	(148,601)	(206,988)
Benefit of tax losses of prior years recouped	(15,582)	(296,058)	-	-
Income tax benefit not brought to account	-	-	148,601	206,988
Aggregate income tax expense	-	-	-	-
(b) The directors estimate that the potential future income tax benefit at 30 June 2002 in respect of tax losses not brought to account at 30% (2001 - 30%) is:				
Revenue and exploration losses	5,479,534	5,125,545	4,936,844	4,582,855
Capital gains tax losses	429,846	594,649	-	620
	5,909,380	5,720,194	4,936,844	4,583,475

The benefit for tax losses will only be obtained if:

- the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- the losses are transferred to an eligible entity in the consolidated entity, and
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 5. Current assets - Cash assets

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Cash at bank and on hand	5,894	28,263	5,894	28,263
Deposits at call	1,751,616	991,575	1,751,616	991,575
	1,757,510	1,019,838	1,757,510	1,019,838

Deposits at call

The deposits are bearing floating interest rates between 3.36% and 4.83% (2001 - 3.79% and 4.78%).

Notes to the financial statements

30 June 2002 (*continued*)

Note 6. Current assets – Receivables

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Other debtors	126,217	38,032	126,217	37,796

Note 7. Current assets – Other

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Prepayments	14,802	11,963	14,802	11,963

Note 8. Non-current assets – Receivables

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Loans to controlled entities	-	-	4,935,255	4,935,491
Less: Provision for non-recovery	-	-	4,935,255	4,935,255
	-	-	-	236

Note 9. Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Investments traded on organised markets				
Shares in other corporations - at cost	1,045,582	2,014,624	1,045,582	2,014,624
Less: Provision for write down to recoverable amount	-	186,624	-	186,624
	1,045,582	1,828,000	1,045,582	1,828,000
Other (non-traded) investments				
Shares in controlled entities - at cost (note 26)	-	-	2,205,010	2,205,010
Less: Provision for write down to recoverable amount	-	-	2,205,010	2,205,010
Shares in controlled entities - at recoverable amount	-	-	-	-
Shares in other corporations - at cost	-	50,000	-	50,000
	-	50,000	-	50,000
	1,045,582	1,878,000	1,045,582	1,878,000

Notes to the financial statements

30 June 2002 (*continued*)

Note 10. Non-current assets – Exploration and evaluation

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Exploration and evaluation				
Exploration and evaluation - at cost less amounts written off	2,361,734	1,809,438	2,361,734	1,809,438

Reconciliations

Reconciliations of the carrying amounts of exploration and evaluation at the beginning and end of the current and previous financial year are set out below.

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Exploration and evaluation				
Carrying amount at 1 July 2001	1,809,438	3,523,802	1,809,438	3,328,730
Expenditure	682,560	724,453	682,560	724,453
Sale of tenements	-	(1,817,430)	-	-
Net expenditure transferred to controlled entities	-	-	-	(1,622,358)
Expenditure written off	(130,264)	(621,387)	(130,264)	(621,387)
Carrying amount at 30 June 2002	2,361,734	1,809,438	2,361,734	1,809,438

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.

Details of the consolidated entity's areas of interest are disclosed on page 46.

Note 11. Non-current assets – Plant and equipment

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Plant and equipment				
Plant and equipment – at cost	180,219	130,244	180,219	130,244
Less: Accumulated depreciation	108,954	94,639	108,954	94,639
	71,265	35,605	71,265	35,605

Non-current assets pledged as security

None of the non-current assets are pledged as security by either the parent entity or its controlled entities.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Plant and equipment				
Carrying amount at 1 July 2001	35,605	76,138	35,605	72,156
Additions	53,170	1,928	53,170	1,928
Disposals	-	(18,419)	-	(14,437)
Depreciation expense (note 3)	(17,510)	(24,042)	(17,510)	(24,042)
Carrying amount at 30 June 2002	71,265	35,605	71,265	35,605

Notes to the financial statements

30 June 2002 (*continued*)

Note 12. Current liabilities – Payables

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Trade creditors	118,934	88,044	118,934	88,044

Note 13. Current liabilities – Provisions

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Employee entitlements	6,593	227	6,593	227

Note 14. Contributed equity

	Notes	Parent entity		Parent entity	
		2002 Shares	2001 Shares	2002 \$	2001 \$
(a) Share capital					
Ordinary shares					
Fully paid	(b),(c)	109,375,284	109,375,284	4,920,113	24,607,664
Option issue premium	(d)	-	-	525,963	-
		<u>109,375,284</u>	<u>109,375,284</u>	<u>5,446,076</u>	<u>24,607,664</u>

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price \$	\$
1 July 2000	Opening balance		108,862,302		24,583,245
1 December 2000	Share issue to purchase royalty interests	(e)(i)	500,000	0.10	50,000
18 January 2001	Sale of forfeited shares	(e)(ii)			72,400
22 January 2001	Options exercised	(e)(iii)	12,982		2,596
					<u>24,708,241</u>
	Less: Transaction costs arising on share issues				100,577
30 June 2001	Balance		<u>109,375,284</u>		<u>24,607,664</u>
28 November 2001	Reduction of capital	(e)(iv)			(19,687,551)
12 June 2002	Option issue premium	(e)(v)			546,876
					<u>5,466,989</u>
	Less: Transaction costs arising on option issue				20,913
30 June 2002	Balance		<u>109,375,284</u>		<u>5,446,076</u>

(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) Options

The company has granted options whereby each option is convertible into one ordinary share at any time, as follows:

	2002 Number of options	2001 Number of options
On or before 31 March 2005 at a fixed price of 15 cents per share	54,687,642	-
On or before 01 May 2002 at a fixed price of 75 cents per share	-	35,049,864
	<u>54,687,642</u>	<u>35,049,864</u>

Notes to the financial statements

30 June 2002 (*continued*)

Note 14. Contributed equity (continued)

Movements in options

Date	Details	Number of options	Issue price	\$
1 July 2000	Opening balance	85,598,011	-	-
1 January 2001	Options expired	(50,535,165)	-	-
22 January 2001	Options exercised	(12,982)	\$0.25	2,596
1 May 2002	Options expired	(35,049,864)	-	-
12 June 2002	Options granted	54,687,642	\$0.01	546,876
		<u>54,687,642</u>		<u>549,472</u>

(e) Details of movements in ordinary share capital

- (i) On 1 December 2000 the company issued 500,000 fully paid ordinary shares at 10 cents per share to acquire royalty interests.
- (ii) On 18 January 2001 the company received \$72,400 from the sale of 2,000,002 forfeited shares.
- (iii) On 22 January 2001 the company issued 12,982 fully paid ordinary shares at 20 cents per share arising from the exercise of 12,982 options.
- (iv) On 28 November 2001 shareholders approved a reduction of capital of 18 cents per share amounting to \$19,687,551 to be offset against accumulated losses.
- (v) On 12 June 2002 the company granted 54,687,642 15 cent options expiring 31 March 2005 at a premium of 1 cent per option.

(f) Employee incentive scheme

The Employee Incentive Scheme ("the Scheme") provides eligible participants with the opportunity to acquire fully paid shares, partly paid shares or options for ordinary shares. Details of the Scheme are set out in note 24.

No shares or options were issued under the Scheme during the year and no shares or options are outstanding at 30 June 2002.

Note 15. Accumulated losses

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Accumulated (losses) at the beginning of the financial year	(19,903,059)	(20,144,867)	(19,903,059)	(20,144,867)
Reduction of capital (note 14(e)(iv))	19,687,551	-	19,687,551	-
Net profit attributable to members of Glengarry Resources Limited	21,015	241,808	21,015	241,808
Accumulated (losses) at the end of the financial year	<u>(194,493)</u>	<u>(19,903,059)</u>	<u>(194,493)</u>	<u>(19,903,059)</u>

Note 16. Equity

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Total equity at the beginning of the financial year	4,704,605	4,337,801	4,704,605	4,337,808
Total changes in equity recognised in the statement of financial performance	21,015	241,808	21,015	241,801
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	-	124,996	-	124,996
Option issue premium, net of transactions costs	525,963	-	525,963	-
Total equity at the end of the financial year	<u>5,251,583</u>	<u>4,704,605</u>	<u>5,251,583</u>	<u>4,704,605</u>

Notes to the financial statements

30 June 2002 (*continued*)

Note 17. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets bearing variable interest rates as the consolidated entity intends to hold fixed rate assets to maturity.

2002	Notes	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial assets				
Cash and deposits	5	1,753,810	3,700	1,757,510
Receivables	6	-	126,217	126,217
Other financial assets - investments	9	-	1,045,582	1,045,582
		<u>1,753,810</u>	<u>1,175,499</u>	<u>2,929,309</u>
Weighted average interest rate		4.81%		
Financial liabilities				
Trade and other creditors	12	-	118,934	118,934
Net financial assets		<u>1,753,810</u>	<u>1,056,565</u>	<u>2,810,375</u>

2001	Notes	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial assets				
Cash and deposits	5	1,019,638	200	1,019,838
Receivables	6	-	38,032	38,032
Other financial assets - investments	9	-	1,878,000	1,878,000
		<u>1,019,638</u>	<u>1,916,232</u>	<u>2,935,870</u>
Weighted average interest rate		4.70%		
Financial liabilities				
Trade and other creditors	12	-	88,044	88,044
Net financial assets		<u>1,019,638</u>	<u>1,828,188</u>	<u>2,847,826</u>

(c) Net fair value of financial assets and liabilities

The net fair value of financial assets and financial liabilities of the consolidated entity approximates their carrying amounts except for investments which have a net fair value of \$2,415,895 (2001 \$1,878,000).

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued at cost or by reference to market prices prevailing at balance date where those market prices are below cost. For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

Notes to the financial statements

30 June 2002 (*continued*)

Note 18. Remuneration of directors

	Directors of entities in the consolidated entity		Directors of parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Income paid or payable, or otherwise made available, to directors by entities in the economic entity and related parties in connection with the management of affairs of the parent entity or its controlled entities.	335,281	304,993	335,281	304,993

The numbers of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

\$	\$	2002	2001
60,000	– 69,999	1	-
70,000	– 79,999	-	1
100,000	– 109,999	-	1
110,000	– 119,999	1	-
120,000	– 129,999	-	1
140,000	– 150,000	1	-

Note 19. Remuneration of executives

	Executive officers of the consolidated entity		Executive officers of the parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executive officers (including directors) whose remuneration was at least \$100,000:				
Executive officers of the parent entity	149,408	-	149,408	-

The number of Australian based executive officers (including directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

\$	\$	Executive officers of the consolidated entity		Executive officers of the parent entity	
		2002	2001	2002	2001
		140,000	– 150,000	1	-

Note 20. Remuneration of auditors

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of parent entity	13,200	15,060	13,200	15,060

Notes to the financial statements

30 June 2002 (*continued*)

Note 21. Interests in joint ventures

The consolidated entity has entered into joint ventures for gold and mineral exploration and has participating interests in those joint ventures as follows:

Joint venture name:	Consolidated	
	2002 %	2001 %
Larranganni Joint Venture *	7.5	7.5
Watts Rise Joint Venture *	7.5	7.5

The consolidated entity is entitled to its percentage interest in the output of the joint ventures.

* These interests are free carried and are subject to the right of Tanami Gold NL to acquire the interests at market value on completion of a bankable feasibility study.

Note 22. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Guarantees				
Guarantees by Glengarry Resources Limited and Glengarry Mining NL in respect of bank security bonds of controlled entities, secured by registered first mortgages over the assets of Glengarry Resources Limited and Glengarry Mining NL.	94,500	94,500	94,500	94,500

Cross guarantees by Glengarry Resources Limited, Glengarry Mining NL, Lymcloud Pty Ltd, Diamantina Resources Pty Ltd and Plural.com Pty Ltd as described in note 27. No deficiencies of assets exist in any of these companies apart from amounts owed to Glengarry Resources Limited and these have been provided against.

Legal claims

During the year ended 30 June 2001 a claim for unspecified damages was lodged by a former employee of Glengarry Mining NL. The company has disclaimed liability and is defending the action. Legal advice indicates that a potential liability may arise.

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

Note 23. Commitments for expenditure

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Within one year	688,648	539,999	688,648	539,999
Later than one year but not later than 2 years	848,648	599,999	848,648	599,999
Later than two years but not later than 5 years	2,921,444	1,799,997	2,921,444	1,799,997
	4,458,740	2,939,995	4,458,740	2,939,995

Included in the above commitments is an assessment of expenditure that may be required over a five year period. The commitments may be reduced by tenement withdrawals, concessions, exemptions, reductions and joint venture arrangements with third parties.

Notes to the financial statements

30 June 2002 (*continued*)

Note 24. Employee entitlements

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 13)	6,593	227	6,593	227
Aggregate employee entitlement liability	6,593	227	6,593	227
Employee numbers				
Number of employees at 30 June 2002	5	3	5	3

Employee Incentive Scheme

The Employee Incentive Scheme ("the Scheme") was approved by special resolution at the annual general meeting of the company held on 20 November 1998. Directors and all full time employees of Glengarry Resources Limited and its controlled entities are eligible to participate in the Scheme.

The Scheme provides eligible participants with the opportunity to acquire fully paid shares, partly paid shares or options for ordinary shares.

Shares and options issued under the Scheme are issued on the following terms:

- Eligible participants shall not, unless the directors in their absolute discretion determine otherwise, participate in the Scheme until they have qualified as an Eligible Participant for a period of at least six months.
- The entitlement from time to time of each Eligible Participant shall be determined by the directors in their absolute discretion based on the directors' assessment of the Eligible Participant's length of service with the company, remuneration level, and the contribution the Eligible Participant will make to the long term performance of the company, together with such other criteria as the directors consider appropriate in the circumstances.
- As at the reporting date all offers under the Scheme have been taken up. Accordingly no offers are outstanding.
- The maximum number of securities which may be issued pursuant to the Scheme shall not be greater than 5% of the issued shares of the company, from time to time.

At 30 June 2002 there were no securities outstanding under the Scheme.

For employee entitlements refer note 13.

Note 25. Related parties

Directors

The names of persons who were directors of Glengarry Resources Limited at any time during the financial year are as follows: A T Harris, A J Alston and M J Glasson. All of these persons were also directors during the year ended 30 June 2001.

Remuneration and retirement benefits

Information on remuneration of directors is disclosed in note 18.

Notes to the financial statements

30 June 2002 (*continued*)

Note 25. Related parties (*continued*)

Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares and share options of Glengarry Resources Limited acquired or disposed of by directors of the company and consolidated entity or their director-related entities from the company:

	Parent entity and consolidated	
	2002 Number	2001 Number
Acquisitions		
Ordinary shares	-	500,000
Options	11,396,250	-

Aggregate numbers of shares, partly paid shares and share options of Glengarry Resources Limited held directly, indirectly or beneficially by directors of the company or the consolidated entity or their director-related entities at balance date:

	2002 Number	2001 Number
Ordinary shares	15,595,982	14,043,482
Options over ordinary shares	11,396,250	-

Other transactions of directors and director-related entities

A director, Mr A T Harris, is a director of Havelock Corporate Proprietary, trading as Havelock Partners, Chartered Accountants and Havelock Corporate Services Proprietary. The wife of a director, Mr A T Harris, is a director of Havelock Corporate Services Proprietary and has the capacity to significantly influence decision making of that company. Havelock Corporate Proprietary trading as Havelock Partners has provided taxation services and rented office equipment to Glengarry Resources Limited and its controlled entities on normal commercial terms and conditions. Havelock Corporate Services Proprietary has provided corporate and secretarial services on normal commercial terms and conditions. A director, Mr M J Glasson, is a director of Geobiz Pty Ltd. Geobiz Pty Ltd has provided geological and other services to Glengarry Resources Limited and its controlled entities on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities were as follows:

	Consolidated		Parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Taxation fees	10,290	8,995	10,290	8,995
Rent of office equipment	2,400	20,340	2,400	20,340
Consulting fees	115,673	209,793	115,673	209,793

During the year, Glengarry Resources Limited paid a premium on normal commercial terms and conditions to insure certain officers of the company and its related bodies corporate. The officers of the company covered by the insurance policy include the directors A T Harris, A J Alston, M J Glasson. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate.

Notes to the financial statements

30 June 2002 (*continued*)

Note 25. Related parties (continued)

Aggregate amounts payable to directors and their director-related entities at balance date:

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Current liabilities	10,118	20,420	10,118	20,420

Wholly-owned group

The wholly-owned group consists of Glengarry Resources Limited and its wholly-owned controlled entities: Glengarry Mining NL, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Lymcloud Pty Ltd. Ownership interests in these controlled entities are set out in note 26.

Transactions between Glengarry Resources Limited and other entities in the wholly-owned group during the years ended 30 June 2002 and 30 June 2001 consisted of:

- (a) loans repaid to Glengarry Resources Limited
- (b) transfer of capital gains tax losses to Glengarry Resources Limited to offset capital gains tax gains derived by the company.

There are no fixed terms for the repayment of principal on loans advanced by Glengarry Resources Limited. Interest is not charged on the loans.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:

	Parent entity	
	2002	2001
	\$	\$
Transfer of capital gains tax losses for no consideration	547,276	-

Aggregate amounts receivable from entities in the wholly-owned group at balance date:

	Parent entity	
	2002	2001
	\$	\$
Non-current receivables (loans)	4,935,255	4,935,491
Less: Provision for non-recovery	4,935,255	4,935,255
	-	236

Controlling entities

The ultimate parent entity in the wholly-owned group is Glengarry Resources Limited.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

- (a) Controlled entities – note 26.
- (b) Joint ventures – note 21.

Notes to the financial statements

30 June 2002 (*continued*)

Note 26. Investment in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding		Cost of parent entity's investment	
			2002 %	2001 %	2002 \$	2001 \$
Lymcloud Pty Ltd	Australia	Ordinary	100	100	2	2
Plural.com Pty Ltd	Australia	Ordinary	100	100	2	2
Diamantina Resources Pty Ltd	Australia	Ordinary	100	100	5	5
Glengarry Mining NL	Australia	Ordinary	100	100	2,205,001	2,205,001
					2,205,010	2,205,010

The entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information see note 27.

Note 27. Deed of cross guarantee

Glengarry Resources Limited, Lymcloud Pty Ltd, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Glengarry Mining NL are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Glengarry Resources Limited, they also represent the 'Extended Closed Group'.

A consolidated statement of financial performance and consolidated statement of financial position for the year ended 30 June 2002 of the Closed Group consisting of Glengarry Resources Limited, Lymcloud Pty Ltd, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Glengarry Mining NL has not been included because the position is the same as the consolidated statement of financial performance and the consolidated statement of financial position.

Note 28. Events occurring after reporting date

There are no after-reporting date events which require disclosure.

Note 29. Segment information

The consolidated entity operates principally in gold and base metals exploration in Australia.

Notes to the financial statements

30 June 2002 (*continued*)

Note 30. Reconciliation of profit from ordinary activities after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Operating profit after income tax	21,015	241,808	21,015	241,801
Depreciation and amortisation	17,510	24,042	17,510	24,042
Reversal of write down of investments	(91,067)	190,820	(91,067)	190,827
Net (profit) on sale of non-current assets	(549,344)	(1,465,081)	(549,344)	149
Exploration and evaluation expenditure written off	130,264	621,387	130,264	621,387
Reversal of provision for non-recovery on loans to controlled entities	-	-	(236)	(1,479,547)
Change in operating assets and liabilities				
(Increase) in other debtors	(7,572)	(20,933)	(7,572)	(20,933)
Decrease(increase) in other operating assets	(2,839)	13,063	(2,839)	13,063
Increase(decrease) in trade creditors	24,082	(41,387)	24,082	(41,387)
Increase(decrease) in provisions	6,366	(6,031)	6,366	(6,031)
Net cash used in operating activities	(451,585)	(442,312)	(451,821)	(456,629)

Note 31. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Acquisition of shares in a listed corporation by the sale of mining tenements	-	1,800,000	-	1,800,000
Acquisition of royalty interests by the issue of ordinary shares	-	50,000	-	50,000
	-	1,850,000	-	1,850,000

Note 32. Earnings per share

	Consolidated	
	2002	2001
	cents	cents
Basic earnings per share	0.019	0.22
Diluted earnings per share	0.013	0.16

	Consolidated	
	2002	2001
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	109,375,284	108,057,033
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	109,375,284	108,057,033

Directors' declaration

The directors declare that the financial statements and notes set out on pages 13 to 42:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27.

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

A T Harris

Director

Perth

26 September 2002

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwcglobal.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Independent Audit report to the members of Glengarry Resources Limited

Audit opinion

In our opinion, the financial report, set out on pages 13 to 43:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Glengarry Resources Limited and the Glengarry Resources Group (defined below) as at 30 June 2002 and of their performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the year ended 30 June 2002 is the responsibility of the directors of Glengarry Resources Limited. It includes the financial statements for Glengarry Resources Limited (the Company) and for the Glengarry Resources Group (the Group), which incorporates Glengarry Resources Limited and the entities it controlled during the year ended 30 June 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management. In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report.
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

PricewaterhouseCoopers

Nick Henry, Partner

Perth, 26 September 2002

Mineral resources

Definition of terms

Ore reserves are reported in accordance with the “Australian Code for Reporting of Identified Mineral Resources and Ore Reserves” as published by the Australian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia and by the Australian Stock Exchange Limited.

Indicated and inferred resources

The consolidated entity's estimates of resources, including its interest in mineral resources of joint ventures, are as follows:

	Location	Interest %	Inferred		Indicated	
			,000 tonnes	average grade (g/t)	,000 tonnes	average grade (g/t)
Great Britain *	Queensland	100	1,974	1.07	1,683	1.72
Gunga West	Coolgardie	100	320	2.60	700	1.90

Any apparent errors are due to rounding.

* Subject to sale option agreement dated 26 April 2001 with Charters Towers Gold Mines Limited.

Mining tenement interests

PROJECT	TENEMENTS	AREA (km ²)	INTEREST	JV PARTNER(S)	OPERATOR
GOLD PROJECTS					
Western Australia					
Larranganni - Watts Rise Joint Venture	9 EL's 1 EL(A)	1,318	7.5%*	Tanami Gold NL	Barrick Gold of Australia Limited
Mt Junction	1 EL	174	100% **	Barrick Gold of Australia Limited	Barrick Gold of Australia Limited
Lewis Range	1 EL(A)	96	100%		
Coolgardie	6 ML's 10 PL's 9 ML(A)'s	10	100%		
Northern Territory					
Tanami Downs	1 EL(A)	177	100% **	Barrick Gold of Australia Limited	Barrick Gold of Australia Limited
Inningarra	1 EL(A)	193	100%		
Queensland					
Lake Suttor	1 EPM 1 EPM(A)	388	100%		
Charters Towers	4 EPM's 2 EPM(A)'s	850	100%***		Charters Towers Gold Mines Limited (Option to Purchase)
BASE METAL PROJECTS					
Queensland					
Greenvale	1 EPM	55	100%		
Horse Mountain	2 EPM's 5 EPM(A)'s	2,139	100%		
Big Mag (Twelve Mile Creek J.V.)	1 EPM 1 EPM(A)	87	0%****	BHP Minerals Ltd	Glengarry Resources Limited
Diamantina Hinge Zone	24 EPM(A)'s	29,285	100%		
Cannington	3 EPM(A)'s	929	100%		
TANTALITE PROJECTS					
Queensland					
Homestead	1 EPM	209	100%		
Sybella	1 EPM(A)	320	100%		
Northern Territory					
Barrow Creek	1 EL	373	100%		
Western Australia					
Camel Hill	1 EL	218	80%	Geotech International Pty Ltd	Glengarry Resources Limited
Mt Egerton	3 EL(A)'s	455	100%		
PLATINUM - PALLADIUM PROJECTS					
Queensland					
Westwood	2 EPM's	559	100%		
Western Australia					
Yalgoo	1 EL(A) 1 PL(A)	16	100%		

* Subject to Sale Agreement with Tanami Gold NL dated 7 September 2000

** Subject to Farmin and Joint Venture Agreement with Barrick Gold of Australia Limited dated 29 August 2002

*** Subject to Sale Option Agreement with Charters Towers Gold Mines Limited dated 26 April 2001

**** Glengarry earning up to 100%, subject to claw-back right by BHP Minerals Ltd

EL Exploration Licence (WA and NT)

ML(A) Mining Lease Application (WA)

EPM(A) Exploration Permit for Minerals Application (Qld)

ML Mining Lease (WA)

EPM Exploration Permit for Minerals (Qld)

EL(A) Exploration Licence Application (WA and NT)

PL Prospecting Licence (WA)

Shareholder information

The shareholder information set out below was applicable as at 27 August 2002.

A. 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	162	35
1,001 - 5,000	890	191
5,001 - 10,000	629	84
10,001 - 100,000	1,104	138
100,001 and over	155	71
	<u>2,940</u>	<u>519</u>

(b) There were 1,759 holders of less than a marketable parcel of ordinary shares.

B. 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
Brodrick Nominees Pty Ltd	6,694,399	6.114
Tanami Gold NL	4,435,862	4.051
Resolution Investments Pty Ltd	4,395,449	4.015
National Australia Trustees Limited	2,290,000	2.091
H Szalacki	2,194,000	2.004
S C Biggs Pty Ltd	1,905,590	1.740
Bretred Pty Ltd	1,773,085	1.619
Jacqueline Kay Pty Ltd	1,200,000	1.096
P A J Ingram	1,117,501	1.020
Howard-Smith Investments Pty Ltd	1,093,938	0.999
H V Ashcroft	1,012,334	0.924
Autotrans Express Pty Ltd	1,000,000	0.913
J K Beckerson	1,000,000	0.913
L J Harris	1,000,000	0.913
M Thom	1,000,000	0.913
Yandal Investments Pty Ltd	952,381	0.869
Voyager Pty Ltd	935,934	0.854
Lyandra Pty Ltd	800,000	0.730
D E Brown	773,333	0.706
Havelock Corporate Services Proprietary	700,000	0.639
	<u>36,273,806</u>	<u>33.123</u>

Shareholder information *(continued)*

Name	31 March 2005 options	
	Number held	Percentage of issued options
Resolution Investments Pty Ltd	6,063,951	11.088
Tarney Holdings Pty Ltd	3,000,000	5.485
Brodrick Nominees Pty Ltd	2,997,199	5.479
Jemaya Pty Ltd	2,500,000	4.571
Tanami Gold NL	2,217,931	4.055
S C Biggs Pty Ltd	2,150,000	3.931
HSBC Custody Nominees (Australia) Limited	2,000,000	3.657
A E Glasson	1,500,000	2.742
Bretred Pty Limited	1,186,542	2.169
National Australia Trustees Limited	1,045,000	1.910
H B Harris	1,000,000	1.828
L J Harris	1,000,000	1.828
Spinite Pty Ltd	1,000,000	1.828
Swanmode Holdings Pty Ltd	1,000,000	1.828
J C Desille	930,000	1.700
Bretred Pty Ltd	825,000	1.508
Lyandra Pty Ltd	750,000	1.371
Havelock Corporate Services Proprietary	700,000	1.280
Destiny Ventures Pty Ltd	645,013	1.179
I M P Parker & C S Parker	613,161	1.121
	33,123,797	60.558

C. Substantial shareholders

Substantial shareholders in the company are set out below:

Ordinary shares	Number held	Percentage
A T Harris (associate)	12,267,548	11.210
Brodrick Nominees Pty Ltd	6,694,399	6.114

D. Voting rights

The voting rights attaching to each class of shares are set out below:

Ordinary shares:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Notice of annual general meeting

The annual general meeting of Glengarry Resources Limited will be held at the City West Function Centre - "The Sutherland Room" 45 Plaistowe Mews, City West Centre West Perth WA 6005, at 11:00am on Wednesday 27 November 2002.

Agenda

Financial report and directors' and audit reports

1. To receive and consider the financial report, including the directors' declaration, for the year ended 30 June 2002 and the related directors' report and audit report.

Appointment of directors

2. To elect a director. Mr M J Glasson retires in accordance with the Constitution and, being eligible, offers himself for re-election.

Employee Incentive Scheme

3. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the proposed Employee Incentive Scheme (the terms of which are set out in the copy of the Statement of Terms and Conditions of Employee Incentive Scheme accompanying this notice of meeting) be approved on the basis that for the purposes of Listing Rule 7.2 Exception 9 of the Listing Rules of the Australian Stock Exchange Limited, each issue of securities under the Employee Incentive Scheme will operate as an exception to Listing Rule 7.1".

For further information, refer to the attached Explanatory Memorandum.

Other business

4. To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act 2001.

By Order of the Board
A T Harris
Secretary
26 September 2002

Proxies

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the enclosed form of proxy. This form must be received by the company by 11:00am on 25 November 2002.

The completed form of proxy may be:

- mailed to the address on the form, or
- faxed to the company on (08) 9322 5510, or
- e-mailed to info@glengarrynl.com.au

A member entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the company.

Explanatory memorandum to notice of annual general meeting

Resolution 3. Employee Incentive Scheme

(1) Background

ASX Listing Rule 7.1 sets out the rule known as the “15% rule” which limits the capacity of a company to issue securities without the approval of its shareholders. The 15% rule provides that a company may not, in any twelve month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period unless the issue is approved by shareholders or otherwise comes within one of the exceptions as set out in Listing Rule 7.2.

Listing Rule 7.2 provides that an issue under an Employee Incentive Scheme (“the Scheme”) is an exception to Listing Rule 7.1 provided the holders of ordinary securities have approved such issues as an exception no more than three years before the date of issue.

Resolution 3 proposes that shareholders approve issues of shares under the Scheme of the company as an exception to Listing Rule 7.1.

Section 195 of the Corporations Act 2001 prevents a director from voting on a matter in which the director has a material personal interest. Due to the operation of that section and as each of the directors is entitled to participate in the Scheme, the directors have considered this resolution only for the purpose of putting the resolution before the general meeting of the company.

(2) Information required by ASX Listing Rule 7.2 Exception 9

The terms and conditions of the Scheme were approved by security holders at the annual general meeting held on 20 November 1998. Since that time 250,000 partly paid ordinary shares have been issued under the Scheme. There are no shares issued or options granted under the Scheme as at the date of this notice of meeting as each of the 250,000 partly paid shares issued under the Scheme has since been forfeited following the election by the holders not to pay calls issued in relation to those shares.

(3) General

Any securities proposed to be issued under the Scheme to any director of the company must receive the prior approval of shareholders.

A full copy of the terms of the company’s Employee Incentive Scheme (being the scheme referred to in proposed resolution 3) is attached to this Explanatory Memorandum.

Voting exclusion statement:

The company will disregard any votes cast on the resolution by:

- a director of the company;
- an associate of a director referred to above.

However, the company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Statement of terms and conditions of employee incentive scheme in accordance with the official listing rules of Australian Stock Exchange Limited

1. DEFINITIONS

For the purposes of this Scheme, unless the context requires otherwise:

“**ASX**” means Australian Stock Exchange Limited (A.C.N. 008 624 691);

“**Business Days**” has the same meaning as applies in the Listing Rules;

“**Change of Control**” means any change in the shareholding of the Company as a result of which the composition of the Board of Directors of the Company can be determined or controlled by parties who were not able to determine or control the composition of the Board of Directors at the time at which relevant Options or Shares were issued under this Scheme;

“**Company**” means Glengarry Resources Limited (A.C.N. 009 468 099);

“**Directors**” means the Board of Directors from time to time of the Company;

“**Eligible Associate**” means any person or entity associated with an Eligible Participant whom that Eligible Participant has nominated (by giving written notice to that effect to the Company) to receive benefits under this Scheme in lieu of the Eligible Participant and who is approved by the Directors;

“**Eligible Participant**” means any full time or part time employee or any consultant or contractor to the Company or any Director or Officer of the Company or any Related Corporation or any Eligible Associate subject to the provisions of paragraph 4(c) hereof;

“**Listing Rules**” means the official listing rules from time to time of ASX;

“**Market Price**” in respect of Shares means on the day such price is to be determined the weighted average market price of the Shares calculated by reference to the Register of Sales in respect of the Shares produced by ASX in respect of the five (5) Business Day period up to and including the Business Day prior to the day on which such price is to be determined;

“**Options**” means options granted by the Company under paragraph 7 below;

“**Participant**” means any Eligible Participant or Eligible Associate;

“**Related Corporation**” means a body corporate which is related to the Company under Section 50 of the Corporations Act 2001;

“**Scheme**” means these terms and conditions as varied from time to time in accordance with paragraph 9 hereof;

“**Securities**” means Shares and/or Options issued under this Scheme;

“**Shares**” means ordinary Shares in the capital of the Company.

2. CONDITION

This Scheme is subject to approval being given to it by the members of the Company at the Annual General Meeting to be held on 27 November 2002, or at any adjournment thereof, at which any votes cast in relation to the resolution in respect of any Shares held by an officer of the Company or any associate of that officer will be disregarded in determining the result of the resolution.

3. OPERATION

Subject to paragraph 2 above, this Scheme shall operate with effect on and from 27 November 2002.

4. ENTITLEMENT OF ELIGIBLE PARTICIPANTS

- (a) Subject to paragraph 4(c) below, the entitlement from time to time of each Eligible Participant under this Scheme shall be determined by the Directors in their absolute discretion based on the Directors' assessment of the Eligible Participant's length of service with the Company, remuneration level and contribution the Eligible Participant will make to the long term performance of the Company, together with such other criteria as the Directors consider appropriate in the circumstances.

Statement of terms and conditions of employee incentive scheme in accordance with the official listing rules of Australian Stock Exchange Limited *(continued)*

- (b) Any Participant, becoming so entitled, shall apply for Securities in such form as is approved by the Directors from time to time.
- (c) Eligible Participants shall not, unless the Directors in their absolute discretion determine otherwise, participate in this Scheme until they have qualified as an Eligible Participant for a period of at least six months.

5. LIMIT OF SECURITIES

The maximum number of Securities which may be issued pursuant to this Scheme shall not be greater than the lesser of:

- (a) 5% of the fully paid issued capital of the Company from time to time; or
- (b) such other percentage as may be provided by the Listing Rules from time to time.

For the purpose of the calculation referred to in this paragraph each Option granted under the Scheme shall be deemed to be the equivalent of one issued Share.

6. GRANT OF SHARES

- (a) The Directors may, in their discretion, issued Shares to a Participant at a subscription price determined by the Directors but being not less than 80% of Market Price on the date upon which the Directors first resolved to issued the Shares (whether or not contingent upon shareholder approval).
- (b) Shares may be issued as fully paid or partly paid but all partly paid Shares shall be issued at a consideration of at least 0.01 cent per Share payable on application with the balance of the subscription price being payable within a period of ten (10) years from the date of issue on terms and conditions determined by the Directors at the time the Shares were allotted to the Participant.
- (c) The remedy of the Company in the event of failure by the holder of partly paid Shares to pay any calls thereon shall be determined by reference to the Constitution of the Company.
- (d) All Shares issued under this Scheme shall carry voting rights pro rata to the amount of the subscription price paid thereon.
- (e) A Participant shall not without the prior written consent of the Directors who may refuse to grant consent in their absolute discretion without being obliged to provide any reasons for refusal assign any Shares issued under this Scheme until the subscription price for such Shares has been paid in full.
- (f) An assignment of Shares to which the Directors have consented shall be effected by written instrument in a form reasonably acceptable to the Company.
- (g) A copy of the stamped instrument of assignment shall be lodged at the registered office of the Company together with such other information as the Company may reasonably require with respect to the assignment, whereupon the Company shall enter the name of the assignee in a register of Shares as the holder of relevant Shares.
- (h) The Company shall not be bound to recognise the assignment until a copy of the duly executed and stamped instrument of assignment is lodged with the Company.
- (i) Shares issued under this Scheme shall not entitle the holder thereof to dividends until the subscription price for the Shares has been paid in full but shall, in all other respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares.
- (j) The Company will not apply for official quotation on ASX of Shares issued under this Scheme until the subscription price for such Shares is fully paid. Once the subscription price for such Shares is fully paid the Company shall make prompt application to have the Shares granted official quotation.
- (k) If, during the currency of any partly paid Shares and prior to their having become fully paid Shares, a takeover offer or takeover announcement within the meaning of the Corporations Act 2001) has been made to acquire the whole or any part of the Shares of the Company or there has been a change of Control, the Directors shall give written notice thereof to the Shareholder who shall thereupon be entitled, within a period of thirty (30) days from the date of delivery of the written notice, to pay in full the unpaid balance of the subscription price of any or all of such partly paid Shares.

Statement of terms and conditions of employee incentive scheme in accordance with the official listing rules of Australian Stock Exchange Limited *(continued)*

7. GRANT OF OPTIONS

- (a) The Directors may in their discretion issue to Participants free Options on the conditions set out in this paragraph 7 and such additional conditions as the Directors may from time to time determine. Each option shall entitle the option holder, upon exercise, to subscribe for one ordinary fully paid Share in the capital of the Company at a subscription price to be determined by the directors which shall not be less than 80% of Market Price on the date upon which the Directors first resolved to grant the Options (whether or not contingent upon shareholder approval), whichever is the higher.
- (b) Any Options issued under this Scheme shall be exercisable within such period as the Directors, in their absolute discretion, may specify, up to a maximum of five (5) years from the date of grant.
- (c) Options not exercised on or before 5:00pm Perth time on the expiry date will lapse automatically.
- (d) Options issued under this Scheme shall not be exercisable immediately but shall become exercisable in the manner stated on the face of the Options Certificate which shall provide that the number of Options from any particular issue of Options that may be exercised by an option holder from time to time is equal to or less than the variable "X" calculated in accordance with the following formula:-

$$X = (a \times b/c) - y$$

where:

- a = the total number of Options issued to the option holder pursuant to this Scheme on any particular date ("the Relevant Date"), and
- b = the number of months during which the option holder has held the Options in "a" above.
- c = a period to be nominated by the Directors.
- y = the number of Options issued on the Relevant Date already exercised by the option holder.

but provided that all outstanding Options, which, by virtue of the provisions of this paragraph, are not yet exercisable, shall become immediately exercisable upon delivery to the option holder of a notice given by the Directors to the option holder pursuant to paragraph 7(p) below.

- (e) The option holder may exercise his Options in accordance with this paragraph by lodging with the Company at its registered office:
- (i) The Option Certificate;
 - (ii) a duly completed and signed exercise notice; and
 - (iii) the subscription moneys for the relevant Shares.
- (f) Upon allotment to the option holder of the Shares specified in his exercise notice the Option Certificate lodged with the Company by the option holder pursuant to paragraph 7(e) above shall:
- (i) if all outstanding Options have been exercised, be cancelled by the Company; or
 - (ii) if part only of the outstanding Options have been exercised, be appropriately endorsed by the Company and thereupon returned to the option holder.
- (g) The Company shall issue and allot to the option holder, within ten (10) Business Days of receipt of an exercise notice under this paragraph, so many Shares as corresponds with the number of Options exercised.
- (h) The option holder shall not assign his Options without the prior written consent of the Directors who may refuse to grant consent in their absolute discretion without being obliged to provide any reasons for refusal.

Statement of terms and conditions of employee incentive scheme in accordance with the official listing rules of Australian Stock Exchange Limited *(continued)*

- (i) An assignment of Options to which the Directors have consented shall be effected by written instrument in a form reasonably acceptable to the Company.
- (j) A copy of the stamped instrument of assignment shall be lodged at the registered office of the Company together with such other information as the Company may reasonably require with respect to the assignment, whereupon the Company shall enter the name of the assignee in a register of Options as the holder of the relevant Options.
- (k) The Company shall not be bound to recognise the assignment until a copy of the duly executed and stamped instrument of assignment is lodged with the Company.
- (l) Option holders shall be permitted to participate in new issues of Shares on the prior exercise of the Option, but subject to the limitations imposed by paragraph 7(d) above, in which case the option holder shall be afforded the period of at least twelve (12) Business Days before the books closing date (to determine entitlements to the issue) to exercise the Options.
- (m) It shall be a condition of each of the Options issued under this Scheme that, in the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of the Options or the exercise price of the Options or both shall be reconstructed in accordance with the Listing Rules.
- (n) Shares allotted pursuant to the Options shall rank from the date of allotment *pari passu* in all respect with the Shares of the Company then on issue.
- (o) If, during the currency of any Options and prior to their exercise, a takeover offer or takeover announcement (within the meaning of the Corporations Act 2001) has been made to acquire the whole or any part of the Shares of the Company or a Change of Control has taken place, the Directors shall give written notice thereof to the option holder who shall thereupon be entitled, within a period of thirty (30) days from the date of delivery of the written notice, to exercise all or any of his outstanding Options, even though some or all of such Options might otherwise not then be exercisable.
- (p) The Company will not apply for official quotation on ASX of the Options but following the exercise of any of the Options, the Company shall make prompt application to have the resulting Shares granted official quotation.
- (q) Any stamp duty payable on the issue and allotment of shares acquired pursuant to the exercise of the Options shall be borne by the allottee of the Shares.

8. TERMINATION OF SCHEME

This Scheme may be terminated at any time by resolution of the Directors but any such resolution shall not affect the rights of the holders of any Options issued under the Scheme at that time or affect the rights of any Participant to Shares agreed to be issued under this Scheme but not issued at the date of termination.

9. VARIATION OF SCHEME

This Scheme may be varied at any time by special resolution of the Company in general meeting, subject to the Listing Rules from time to time.

10. INTERPRETATION

Any question arising as to the interpretation or construction of these terms and conditions may be determined by the Directors and, if so determined, their decision shall be final.

11. REGISTER

The Company shall establish and maintain a register to be kept at its registered office showing the Participants under this Scheme and the Securities held by them and such register shall be open for inspection by any shareholder of the Company without charge.

Notes

Notes

