



**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED**

**30 JUNE 2009**

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# CORPORATE DIRECTORY

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## DIRECTORS

Peter McAleer (Non-Executive Chairman)  
Jim Malone (Managing Director)  
Simon Titchener (Executive Director)  
Howard Dawson (Non-Executive Director)

## AUDITOR

Stantons International  
Level 1  
1 Havelock Street  
West Perth  
Western Australia 6005

## COMPANY SECRETARIES

Jim Malone  
Michael Higginson (appointed 12 June 2009)  
Martin Stein (resigned 12 June 2009)

## SHARE REGISTRY

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross Western Australia 6153

Telephone: +618 9315 2333  
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## REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

103 Abernethy Road  
Belmont, WA, 6104

Telephone: +618 9277 9489  
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Email: [jim.malone@iinet.net.au](mailto:jim.malone@iinet.net.au)  
Website: [www.latingold.com.au](http://www.latingold.com.au)

## STOCK EXCHANGE LISTING

Australian Securities Exchange Limited  
Home Exchange - Perth  
ASX Code: LAT

## PERU OFFICE

Calle El Rosario 359-B, Miraflores,  
Lima 18, Peru

Telephone: +511446 5522  
Facsimile: +511 447 1225

Email: [simon.titchener@iinet.net.au](mailto:simon.titchener@iinet.net.au)

## CHAIRMAN'S REPORT

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Dear Shareholder

The past year has been one of contrasts for your Company.

On one hand, we continued to advance the Paron gold project as quickly as possible with rigorous reviews of the existing resource base and potential development options and logistics. In this regard, the recent receipt of the Category Two permit was a highlight of the year's activities.

On the other hand, the global financial crisis caused the equity and debt markets for mid size Peruvian gold projects to effectively shut and as a consequence funding options for the development of Paron virtually dried up.

We know Paron is a good project because during the year we received a range of unsolicited purchase proposals from various companies, all keen on gaining control of the asset. A number of these companies were granted permission to undertake due diligence, but because of the economic environment no offers reached our internal valuation and were consequently rejected.

The due diligences completed by these companies have nevertheless served a useful purpose because they resulted in additional scrutiny and review of the work we have undertaken over the project to date. In this regard, we are pleased to advise that all of the work completed by our consultants has effectively been endorsed by outside parties.

In moving forward, we regard Paron as a prime asset and continue to seek ways to self develop and thereby maximise the potential return to all shareholders. With world financial markets returning to some normalcy there may be funding opportunities available to Latin Gold in the current financial year that were not available in 2008/09. We plan to actively seek such opportunities and progress with those which could provide the Company with a near term development option.

At the same time, we continue to field enquires from parties seeking to purchase the project. We will entertain all serious offers provided they achieve our internal valuation criteria.

To ensure that Latin Gold has sufficient working capital to undertake our proposed activities in 2009/10, the Company recently announced an underwritten 1 for 1 rights issue at \$0.01 per share. This issue will raise around \$1.6 million before costs and although dilutive to the issued capital is the fairest option to all shareholders and was set at a share price that will hopefully guarantee near full participation.

Looking and moving forward, the Company has a robust undeveloped gold deposit that is a real asset and one which we want to exploit as soon as possible. Whether that will be through near term development or an asset sale remains to be seen but all shareholders can feel confident that your Directors are working towards an outcome to return real value to the Company.

Thank you for your support. I also wish to acknowledge the efforts of my fellow Directors and, in particular, Simon Titchener and his staff in Peru who, despite trying economic circumstances have worked hard to advance the project and in turn all shareholders interests.

Yours sincerely



Peter McAleer  
Chairman  
30 September 2009



## OPERATIONS REPORT

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During the year ended 30 June 2009 the Group continued an active exploration and pre-development programme within Peru and focused on the Paron gold project. This project is located in the Department of Ancash 470km from Lima.

### Paron Gold Project

In October 2006 a 25 hole diamond drilling campaign was completed over Paron. The results of this programme, together with those of the previous two historic drilling campaigns formed part of the data base used to carry out a pre-feasibility study during 2007 and 2008.

As part of the pre-feasibility study, a geological model and resource estimation was completed. Based on a 0.8 g/t gold cut-off the diluted JORC resources at Paron are estimated to be:

Cut off grade	Measured and Indicated	Inferred	Total
0.8 g/t	5,576,500 @ 1.60 g/t Au, 7.0g/t Ag	623,450 tonnes @1.6 g/t Au, 7.0 g/t Ag	6,200,000 tonnes @ 1.6 g/t Au, 7.0 g/t Ag
Metal content	286,341 oz gold 1,252,743 oz silver	32,013 oz gold 140,056 oz silver	318,354 oz gold 1,392,799 oz silver

A detailed financial model of Paron was undertaken as part of the pre-feasibility study. This study was based on the following operational parameters:

- Heap leach operation
- Treatment rate of 3,000 tonnes per day (1.06 million tonnes per annum)
- Mine Life of 6 years
- Diluted head grade of 1.6 g/t gold and 7g/t silver
- Gold recoveries of 80%, silver recoveries of 40%
- Annual Production rate of 43,000 ozs gold and 92,000 ozs silver
- Waste to Ore ratio of 1:1
- Capex of \$US30 million (includes a 25% contingency) and a company owned plant and mining fleet

Based on this financial model and a gold price of \$US800/oz the Paron project has an IRR of 43.4%, a net present value of \$US33.4 million (using a 10% DCF) and will return an estimated EBITDA of \$US17.1 million on an annual basis for 6 years.

Cash production costs were estimated at a gold equivalent \$US223/oz (\$A269/oz) and total production costs (including all capex) at a gold equivalent \$US324/oz (\$A390/oz).

The pre-feasibility study confirmed the potential of the Paron project to be a highly profitable gold and silver operation with considerable upside through higher metal prices and a significantly lower capital cost through the use of contractors rather than a self owned and managed mining fleet and infrastructure. There also appears to be potential to achieve much higher metallurgical recoveries in an actual operation than projected in the pre-feasibility study.

During the financial year ending 30 June 2009, the Company continued to work to advance the potential development of Paron. Considerable work was expended in seeking the Category Two exploration permit for example and maintaining an active and open dialogue with the local landowners and other potentially affected groups.

The Category Two permit was awarded in August 2009 and this is regarded as a major achievement for the Company. This permit effectively allows all required activities up to commencement of mining and has added significant value to the project.

In addition, Latin Gold has pegged additional claims near Paron to provide alternate sites for the proposed treatment facilities. This new site is distal to the local farm areas whilst still being proximal to the actual Paron deposit. The use of this site is expected to marginally increase the cost of production through the addition of trucking costs, but could reduce capital expenditure by 10-15%.

Latin Gold owns 100% of the Paron project. Work completed to date indicates that the project has significant potential to be developed as a gold and silver operation with very attractive financials.

## OPERATIONS REPORT

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Activities to advance the possible development of the project are continuing. In addition, the Company continues to receive enquiries regarding the possible sale of the project and indicative offers value the project at significantly higher levels than the capitalised expenditure.

### **Corporate**

The Group had cash holdings of \$191,969 as at 30 June 2009.

Latin Gold's currently has 161,576,434 shares on issue and its market capitalisation as at 30 June 2009 was \$4.8 million.

# DIRECTORS' REPORT

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## DIRECTORS' REPORT

The Directors present their report on Latin Gold Limited and its controlled entities for the year ended 30 June 2009.

### BOARD OF DIRECTORS

The names and details of the Latin Gold Ltd ("Company") directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period.

**Peter McAleer** (Non-Executive Chairman)

Peter McAleer joined the Board as Chairman in 2001. Mr McAleer has over 40 years involvement in the natural resources sector including minerals, oil and gas in Australia, Chile, Europe and North America, through board and senior management level involvement.

*Responsibilities:* Member of the audit committee and has responsibilities for risk identification, strategic direction and performance evaluations.

*Qualifications:* Mr McAleer has an honours degree in Commerce and is a Barrister at Law.

*Directorships:* Kingsgate Consolidated Ltd  
Kenmare Resources PLC (Dublin)

**Jim Malone** (Managing Director)

Jim Malone is a founding director of the Company. Mr Malone has worked successfully as an accountant, stockbroker, business analyst and CEO of a medium sized business for the past 22 years.

Mr. Malone, a Commerce graduate from the University of Western Australia worked for Arthur Andersen accountants, Hartley Poynton stockbrokers, CSFB and Lehman Brothers merchant banks in London and for the West Coast Eagles and Richmond Football Clubs, the latter as CEO from 1994 to 2000.

Since 2000, Mr. Malone has worked in the resources industry and has been involved with the start up, successful listing and ongoing management and development of seven ASX listed and two non listed resource companies with a diverse range of commodities including gold, base metals, uranium, oil and gas and industrial minerals. These companies have operated projects in Latin America, Europe, Africa, the USA and Australia. Over the past 22 years Mr Malone has lived and worked in Perth, Melbourne, London and Santiago, Chile.

*Responsibilities:* Ongoing business development, all capital raisings, investor relations, ASX liaison, risk identification, corporate governance and financial management of the Company.

*Qualifications:* Mr Malone has a Bachelor of Commerce degree from the University of Western Australia and is an Associate of the Australian Society of CPAs.

*Directorships:* Richmond Mining Limited – Non-Executive Director  
Quest Petroleum NL – Non-Executive Director  
Atlantic Limited – Non-Executive Director  
Monaro Mining N.L – Non-Executive Chairman

*Past directorships:* Livingstone Petroleum Limited – Non-Executive Chairman  
Catalyst Metals Limited – Non-Executive Director  
Discovery Capital Limited – Non-Executive Director  
Uranium King Limited – Non-Executive Director  
NSL Limited – Non-Executive Director

## DIRECTORS' REPORT

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### **Simon Titchener** (*Executive Director*)

Simon Titchener is also a founding director of the Company. Mr Titchener has 23 years experience in exploration and project development in the minerals industry including extensive drill program management, project management of precious and industrial mineral developments and the securing, joint venturing and exploration management of mining tenements. Mr Titchener is currently based full-time in our Peruvian office.

*Responsibilities:* His role encompasses the management of all mineral exploration, identification and operational functions of the company. Simon has resided in South America for the past 5½ years and heads up our Lima operations office. His responsibilities also include health, safety and environment management.

*Qualifications:* Mr Titchener has a Bachelor of Arts degree (Honours) from the University of Western Australia, majoring in Industrial Relations.

### **Howard Dawson** (*Non-Executive Director*)

Howard Dawson was appointed to the Board in December 2003. Mr Dawson had an 11 year career as a geologist before entering the securities industry as a research analyst in 1987. Over the subsequent 17 years he fulfilled a number of complimentary roles within the securities industry including research, corporate advisory, business development and management for firms including Hartley Poynton, McIntosh Securities, Merrill Lynch and ABN AMRO Morgan Limited.

Mr Dawson brings to the Board of Latin Gold additional technical, financial and corporate skills which are used to assist the Company in its existing projects as well as its anticipated expansion into additional exploration and development projects.

*Responsibilities:* Chairman of the audit committee. Mr Dawson also has responsibilities for assisting with capital raising, risk identification and the independent technical and financial review of projects.

*Qualifications:* Bachelor of Science (Geology)  
SFFINSIA, MAIG

*Directorships:* Discovery Capital Limited - Executive Chairman  
Richmond Mining Limited - Non-Executive Chairman  
DVM International Limited - Non-Executive Director

*Past directorships:* Comet Resources Limited  
Bounty Industries Limited  
Uranium King Limited - Non-Executive Chairman  
Catalyst Metals Limited - Non-Executive Chairman  
Lunalite International Limited - Non-Executive Director

### **Michael Higginson** (*Company Secretary*)

Mr Higginson is the holder of a Bachelor of Business Degree and was appointed as Company Secretary on 12 June 2009.

Mr Higginson was formerly an executive officer with the Australian Securities Exchange and has, over the last 22 years, held numerous company secretarial and directorship roles with a range of public listed companies both in Australia and the UK.

*Qualifications:* *Bachelor of Business with majors in Finance & Administration*

*Responsibilities:* *Member of the Audit Committee*

**Martin Stein** was Company Secretary from the start of the year until his resignation on 12 June 2009.

## CORPORATE STRUCTURE

## **DIRECTORS' REPORT**

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Latin Gold Ltd is a company limited by shares that is incorporated and domiciled in Australia. Latin Gold Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being wholly-owned entities Westmag Resources Limited, Black Eagle Resources Limited, Black Eagle Resources Peru SAC, Golden Eagle Resources Peru SAC and Inversiones Fortuna Resources Limitada (collectively the "Group").

### **NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

The principal activity of the Group during the year was the development of the Paron gold project in Peru.

### **EMPLOYEES**

The Group employed 3 employees as at 30 June 2009 (2008: 4 employees).

### **REVIEW OF OPERATIONS**

The principal activity of the Group during the year was the development of the Paron gold project in Peru.

A more detailed review of the Group's operations during the financial year is set out in the Operations Report.

### **RESULTS OF OPERATIONS**

The operating loss after income tax of the Group for the year ended 30 June 2009 was \$422,049 (2008: \$650,527).

The Group's basic loss per share for the year was 0.3 cents (2008: 0.5 cents).

No dividend has been paid during or is recommended for the financial year ended 30 June 2009.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report and the financial statements.

### **FUTURE DEVELOPMENTS**

Likely future developments in the operations of the Group are referred to in the Chairman's and Operations Reports. Other than as referred to in this report, further information as to likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

### **SUBSEQUENT EVENTS**

On 22 September 2009, the Company issued an Entitlement Issue Prospectus ("Prospectus") with the ASIC and the ASX. Under the terms of the Prospectus, the Company is seeking to raise capital via a non-renounceable entitlement issue of 1 new share for every 1 share held by shareholders on 6 October 2009. The new shares are to be issued at a price of \$0.01 per share, and it is anticipated that 161,576,434 new shares will be issued, raising \$1,615,764. The offer is fully and unconditionally underwritten. Total shares on issue after the offer will be 323,152,868.

### **FINANCIAL POSITION**

The net assets of the Group have increased by \$259,745 from \$3,390,627 at 30 June 2008 to \$3,650,372 in 2009. This largely was a result of capitalising the exploration expenditure incurred on the Paron project in Peru and favourable foreign exchange movements.

The Group's working capital, being current assets less current liabilities, has decreased from \$646,682 in 2008 to \$178,299 at 30 June 2009.

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

# DIRECTORS' REPORT

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## DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the financial year was:

	<b>Board Meetings</b>	
	<b>Number held and entitled to attend</b>	<b>Number Attended</b>
Peter McAleer	6	5
Jim Malone	6	6
Simon Titchener	6	5
Howard Dawson	6	6

No meetings of the audit committee of the Group were held during the financial year.

## ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulation under the laws of Peru. Details of the Group performance in relation to environmental regulation are as follows:

The Group entities' exploration activities are subject to the mining acts in the countries in which they operate. The Company has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company are not aware of any breach of environmental legislation for the financial year under review.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

## SHARE OPTIONS

As at the date of this report, there were 6,100,000 (2008: 13,750,000) unissued ordinary shares under option. Refer to Note 14 of the Financial Statements for further details of the options outstanding at year end.

No person entitled to exercise any option referred to above have or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

# DIRECTORS' REPORT

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## REMUNERATION REPORT (AUDITED)

This report details the type and amount of remuneration for each Director of Latin Gold Limited, and for the executives receiving the highest remuneration.

### Remuneration Policy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive Directors' emoluments to the Company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Latin Gold Limited

The remuneration of an executive Director will be decided by the full Board. In determining competitive remuneration rates the Board reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The maximum remuneration of non-executive Directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Act as applicable. The apportionment of non-executive Director remuneration, within that maximum, will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

All equity based remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

### Performance Based Remuneration

The issue of options to Directors in accordance with the Company's employee share option plan to encourage the alignment of personal and shareholder returns. The intention of this program is to align the objectives of Directors/executives with that of the business and shareholders. In addition, all Directors and executives are encouraged to hold shares in the Company.

The Company has not paid bonuses to Directors or executives to date.

### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to maximise the commonality of goals between shareholders and Directors and executives. The method applied in achieving this aim to date being the issue of options to Directors to encourage the alignment of personal and shareholder interests. The Company believes this policy will be the most effective in increasing shareholder wealth.

The following table shows the gross revenue, operating loss, net assets and share price at the end of the respective financial years.

	2003	2004	2005	2006	2007	2008	2009
Revenue	\$184,073	\$102,510	\$94,506	\$170,155	\$82,972	\$33,625	\$15,787
Net loss	\$731,978	\$1,064,404	\$1,055,863	\$2,195,404	\$1,133,803	\$650,527	\$422,049
Net assets	\$293,587	\$1,870,263	\$2,177,883	\$1,194,565	\$1,860,094	\$3,390,162	\$3,650,372
Share price	8.0c	12.5c	7.2c	7.0c	5.1c	3.7c	3.0c

The focus of the Group is the Paron gold project which the Directors believe has the potential to add significant value to the Company.

## DIRECTORS' REPORT

### Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Director and executive of the Group during the year ended 30 June 2009 was as follows:

#### Directors and Executive Officers' Emoluments

2009 Names	Annual Emoluments			Performance Related		Total \$	% of Remuneration consisting of options
	Salary & Fees \$	Non- Monetary Benefits \$	Super- annuation \$	Options Granted	Options Amortised \$		
<b>Directors Emoluments</b>							
P McAleer	-	2,543	-	-	6,356	8,899	71%
J Malone	15,100	2,543	-	-	15,894	33,537	47%
S Titchener	25,951	25,700	3,462	-	15,894	71,007	22%
H Dawson	14,400	2,544	-	-	15,894	32,838	48%
<b>Total</b>	<b>55,451</b>	<b>33,330</b>	<b>3,462</b>	<b>-</b>	<b>54,038</b>	<b>146,281</b>	<b>37%</b>
<b>Executive Emoluments</b>							
	-	-	-	-	-	-	-

The remuneration for each Director and of the one executive officer of the Group during the year ended 30 June 2008 was as follows:

#### Directors and Executive Officers' Emoluments

2008 Names	Annual Emoluments			Performance Related		Total \$	% of Remuneration consisting of options
	Salary & Fees \$	Non- Monetary Benefits \$	Super- annuation \$	Options Granted	Options Amortised \$		
<b>Directors Emoluments</b>							
P McAleer (a)	15,000	2,137	-	600,000	14,319	31,456	46%
J Malone	26,750	2,137	-	1,500,000	30,677	59,564	52%
S Titchener	99,968	2,137	-	1,500,000	30,677	132,782	23%
H Dawson	21,000	2,136	-	1,500,000	26,762	49,898	54%
<b>Total</b>	<b>162,718</b>	<b>8,547</b>	<b>-</b>	<b>5,100,000</b>	<b>102,435</b>	<b>273,700</b>	<b>37%</b>
<b>Executive Emoluments</b>							
	-	-	-	-	-	-	-

(a) Fees paid to Norwest Mining Consultants Limited, a company which Mr McAleer is a director and officer.

#### Performance Income as a Proportion of Total Remuneration

No options were issued for the 30 June 2009 financial year. Amounts vesting of options issued during prior financial periods represented 37% of total Directors' emoluments for the year ended 30 June 2009.



## DIRECTORS' REPORT

### Compensation Options: Granted and Vested During the Year (Consolidated)

During the year ended 30 June 2009, no options were granted. The following options which were granted in the year ended 30 June 2008 vested in the current year.

	<i>Granted</i>		<i>Terms and Conditions for Each Grant</i>					<i>Vested</i>	
	<i>No.</i>	<i>Grant Date</i>	<i>Fair Value per Option at Grant Date</i>	<i>Exercise Price Per Option</i>	<i>Expiry Date</i>	<i>First Exercise Date</i>	<i>Last Exercise Date</i>	<i>No.</i>	<i>%</i>
<b>Directors</b>									
P McAleer	600,000	28.12.2007	\$0.0298	\$0.08	31.12.2010	28.12.2007	31.12.2010	200,000	33%
J Malone	1,500,000	28.12.2007	\$0.0298	\$0.08	31.12.2010	28.12.2007	31.12.2010	500,000	33%
S Titchener	1,500,000	28.12.2007	\$0.0298	\$0.08	31.12.2010	28.12.2007	31.12.2010	500,000	33%
H Dawson	1,500,000	28.12.2007	\$0.0298	\$0.08	31.12.2010	28.12.2007	31.12.2010	500,000	33%
<b>Executives</b>	-	-	-	-	-	-	-	-	-
<b>Total</b>	5,100,000							1,700,000	

### Options granted as part of remuneration in the year ended 30 June 2009

	<i>Value of options granted during the year</i>	<i>Value of options exercised during the year</i>	<i>Value of Options lapsed during the year</i>	<i>Remuneration consisting of options for the year</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>%</i>
<b>Directors</b>				
P McAleer	-	-	-	71%
J Malone	-	-	-	47%
S Titchener	-	-	-	22%
H Dawson	-	-	-	48%
<b>Executives</b>	-	-	-	-
<b>Total</b>	-	-	-	37%

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

There were no options exercised, lapsed or forfeited during the year other than the following options which expired:

- 4,400,000 options with an exercise price of \$0.10 expired on 11 October 2008
- 2,250,000 options with an exercise price of \$0.20 expired on 27 November 2008

## DIRECTORS' REPORT

The following options were granted as part of remuneration in the year ended 30 June 2008.

	Value of options granted during the year	Value of options exercised during the year	Value of Options lapsed during the year	Remuneration consisting of options for the year
	\$	\$	\$	%
<b>Directors</b>				
P McAleer	17,880	-	-	100%
J Malone	44,700	-	-	53%
S Titchener	44,700	-	-	23%
H Dawson	44,700	-	-	56%
<b>Executives</b>	-	-	-	-
<b>Total</b>	<b>151,980</b>	-	-	

### Employment Contracts of Directors and Senior Executives

The executive Director employment contracts have expired and the executive Directors continue to provide their services on the same terms and conditions as per the original contracts, other than at a reduced amount of fees. There are no employment contracts for the Chairman and non-executive Directors.

With the exception of Mr Titchener, all Directors are currently receiving no monthly remuneration. This position will, however, be reviewed from time to time and it is expected that fees will again be paid at commercial rates at some stage during the current financial year.

Mr Titchener has a consultancy agreement with Westmag Resources Limited (Bahamas) dated 1 December 2005. The agreement is for no fixed term and can be terminated at any time by either party. Payment terms under the agreement can be amended as determined from time to time by the Board of the Company.

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Directors	Ordinary Shares			Options			Balance at date of Directors' Report
	Balance at beginning of year	Purchased/(Sold)	Balance at date of Directors' Report	Balance at beginning of year	Expired	Issued	
P McAleer	1,382,539	-	1,382,539	1,600,000	(1,000,000)	-	600,000
J Malone	1,670,000	-	1,670,000	3,000,000	(1,500,000)	-	1,500,000
S Titchener	1,150,000	-	1,150,000	3,000,000	(1,500,000)	-	1,500,000
H Dawson	1,753,000	-	1,753,000	2,250,000	(750,000)	-	1,500,000
	5,955,539	-	5,955,539	9,850,000	(4,750,000)	-	5,100,000

Further details on options can be found in Note 14.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company currently has an insurance policy in place for Directors and officers insurance. The total premium paid by the Company during the year ended 30 June 2009 was \$10,173 (2008: \$8,547).

### NON-AUDIT SERVICES

No fees for non-audit services were paid to the external auditors during the year.

## DIRECTORS' REPORT

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### AUDITOR'S INDEPENDENCE DECLARATION


The lead auditor's independence declaration for the year ended 30 June 2009 has been received and immediately follows the Directors' Report.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Latin Gold support and have adhered to the principles of sound corporate governance.

The Board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council and considers that Latin Gold is in compliance with those guidelines which are of critical importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy adopted by the Company. The Company's corporate governance statement and disclosures are contained in this annual report.

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



**Jim Malone**  
**Managing Director**

Perth, Western Australia  
30 September 2009

# Stantons International

ABN 41 103 088 697

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30 September 2009

Board of Directors  
Latin Gold Limited  
103 Abernethy Road,  
BELMONT, WA 6104

Dear Directors

**RE: LATIN GOLD LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Latin Gold Limited.

As Audit Director for the audit of the financial statements of Latin Gold Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**John Van Dieren**  
**Director**

## BALANCE SHEETS

### As at 30 June 2009

	Note	Group		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	6	191,969	673,805	175,494	576,806
Trade and other receivables	7	22,900	10,349	8,319	5,603
Prepayments	8	10,217	1,916	9,101	-
Total Current Assets		225,086	686,070	192,914	582,409
<b>Non-Current Assets</b>					
Other financial assets	9	-	-	-	-
Plant and equipment	10	20,810	28,104	-	1,077
Exploration and evaluation expenditure	11	3,451,263	2,729,309	-	-
Total Non-Current Assets		3,472,073	2,757,413	-	1,077
<b>TOTAL ASSETS</b>		<b>3,697,159</b>	<b>3,443,483</b>	<b>192,914</b>	<b>583,486</b>
<b>Current Liabilities</b>					
Trade and other payables	12	46,787	36,571	43,736	30,314
Provisions	13	-	2,817	-	2,817
Total Current Liabilities		46,787	39,388	43,736	33,131
<b>Non-Current Liabilities</b>					
Provisions	13	-	13,468	-	13,468
Total Non-Current Liabilities		-	13,468	-	13,468
<b>TOTAL LIABILITIES</b>		<b>46,787</b>	<b>52,856</b>	<b>43,736</b>	<b>46,599</b>
<b>NET ASSETS</b>		<b>3,650,372</b>	<b>3,390,627</b>	<b>149,178</b>	<b>536,887</b>
<b>Equity</b>					
Contributed equity	14	11,742,396	11,742,396	11,742,396	11,742,396
Reserves	15	504,676	(177,118)	343,653	289,615
Accumulated losses	16	(8,596,700)	(8,174,651)	(11,936,871)	(11,495,124)
<b>TOTAL EQUITY</b>		<b>3,650,372</b>	<b>3,390,627</b>	<b>149,178</b>	<b>536,887</b>

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

**INCOME STATEMENTS**  
**For the Year Ended 30 June 2009**

	Note	Group		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Revenue</b>	2	15,787	33,625	15,787	33,625
Project costs	3(a)	-	(10,253)	-	(4,976)
Employee costs		(102,868)	(245,943)	(83,538)	(179,170)
Occupancy costs		(16,217)	(16,340)	(16,217)	(16,341)
General and administration costs		(297,663)	(402,111)	(113,894)	(164,380)
Depreciation	3(a)	(14,002)	(3,183)	(1,077)	(3,183)
Foreign exchange gains / (losses)	3(b)	(7,086)	(3,405)	1,057,888	(687,800)
Interest expense		-	(2,917)	-	(2,917)
Provisions for diminution	3(a)	-	-	(1,300,696)	(1,139,283)
<b>Loss before income tax expense</b>		(422,049)	(650,527)	(441,747)	(2,164,425)
Income tax expense	5	-	-	-	-
<b>Net loss attributable to members of parent entity</b>	16	(422,049)	(650,527)	(441,747)	(2,164,425)
Basic loss per share (cents per share)	4	(0.3)	(0.5)		
Diluted loss per share (cents per share)	4	(0.3)	(0.5)		

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

## STATEMENTS OF CHANGES IN EQUITY

### For the Year Ended 30 June 2009

Group	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
<b>Balance at 30 June 2007</b>	9,451,137	(7,524,124)	(66,919)	1,860,094
Profit/(loss) attributable to members of parent entity	-	(650,527)	-	(650,527)
Issue of shares	2,400,000	-	-	2,400,000
Issue of options	-	-	140,684	140,684
Share issue costs	(108,741)	-	-	(108,741)
Foreign currency translation	-	-	(250,883)	(250,883)
<b>Balance at 30 June 2008</b>	<b>11,742,396</b>	<b>(8,174,651)</b>	<b>(177,118)</b>	<b>3,390,627</b>
Profit/(loss) attributable to members of parent entity	-	(422,049)	-	(422,049)
Issue of options	-	-	54,038	54,038
Foreign currency translation	-	-	627,756	627,756
<b>Balance at 30 June 2009</b>	<b>11,742,396</b>	<b>(8,596,700)</b>	<b>504,676</b>	<b>3,650,372</b>

Company	Issued Capital	Accumulated losses	Reserves	Total
	\$	\$	\$	\$
<b>Balance at 30 June 2007</b>	9,451,137	(9,330,699)	148,931	269,369
Profit/(loss) attributable to members of parent entity	-	(2,164,425)	-	(2,164,425)
Issue of shares	2,400,000	-	-	2,400,000
Issue of options	-	-	140,684	140,684
Share issue costs	(108,741)	-	-	(108,741)
<b>Balance at 30 June 2008</b>	<b>11,742,396</b>	<b>(11,495,124)</b>	<b>289,615</b>	<b>536,887</b>
Profit/(loss) attributable to members of parent entity	-	(441,747)	-	(441,747)
Issue of options	-	-	54,038	54,038
<b>Balance at 30 June 2009</b>	<b>11,742,396</b>	<b>(11,936,871)</b>	<b>343,653</b>	<b>149,178</b>

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

## CASH FLOW STATEMENTS

### For the Year Ended 30 June 2009

	Note	Group		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Payments to suppliers, contractors and employees		(389,631)	(563,226)	(174,291)	(250,813)
Interest received		15,787	33,625	15,787	33,625
Sundry revenue		-	-	-	-
Net cash flows used in operating activities	17	(373,844)	(529,601)	(158,504)	(217,188)
<b>Cash Flows from Investing Activities</b>					
Payments for exploration and evaluation		(167,630)	(1,488,852)	-	-
Payments for plant and equipment		-	(1,328)	-	-
Loans to controlled entities		-	-	(242,808)	(1,827,083)
Net cash flows used in investing activities		(167,630)	(1,490,180)	(242,808)	(1,827,083)
<b>Cash Flows from Financing Activities</b>					
Proceeds from issue of shares		-	2,400,000	-	2,400,000
Share issue expenses		-	(108,741)	-	(108,741)
Proceeds from borrowings		-	100,000	-	100,000
Repayment of borrowings		-	(100,000)	-	(100,000)
Net cash flows from financing activities		-	2,291,259	-	2,291,259
Net increase / (decrease) in cash and cash equivalents		(541,474)	271,478	(401,312)	246,988
Cash and cash equivalents at the beginning of the financial year		673,805	430,849	576,806	329,818
Effects of exchange rate changes on cash		59,638	(28,522)	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>191,969</b>	<b>673,805</b>	<b>175,494</b>	<b>576,806</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2009

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial Reporting Framework

The financial report covers the consolidated entity of Latin Gold Limited and controlled entities, and Latin Gold Limited as an individual parent entity. Latin Gold Limited is a listed public company, incorporated and domiciled in Australia.

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report of Latin Gold Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 30 September 2009.

#### *Going concern*

The financial report has been prepared on the basis of the Group being a going concern. This assumption is based on the ability of the Directors of the Company to raise the appropriate funds for the Company and Group to continue to operate as such, on a timely basis.

On 22 September 2009, the Company issued an Entitlement Issue Prospectus ("Prospectus") with the ASIC and the ASX. Under the terms of the Prospectus, the Company is seeking to raise capital via a non-renounceable entitlement issue of 1 new share for every 1 share held by shareholders on 6 October 2009. The new shares are to be issued at a price of \$0.01 per share, and it is anticipated that 161,576,434 new shares will be issued, raising \$1,615,764. The offer is fully and unconditionally underwritten.

In the Directors' opinion, based on the above capital raising and the ability in the past to raise capital as, and when required, there are reasonable grounds to assume they will be able to raise further funds as and when they are required.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (b) Statement of compliance

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2009 because they do not require a change to accounting policies and therefore have no impact or they are not applicable to the Group (refer to note 27).

#### (c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Latin Gold Ltd ("parent company") from time to time during the year and at 30 June 2009 and the results of all controlled entities for the year then ended. Latin Gold Ltd 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 income statement 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 exists.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2009

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

#### (d) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### (e) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### (f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions and investments in money market instruments with less than 30 days to maturity.

#### (g) Trade and other receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

#### (h) Investments

Non-current investments are measured at cost. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have been discounted to their present value in determining the recoverable amounts.

#### (i) Property, plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is provided on plant and equipment. Depreciation is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

#### (j) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward 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 activities in an area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2009

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group performs impairment testing when facts and circumstances suggest the carrying amount has been impaired. If it was determined that the asset was impaired it would be immediately written off to the income statement.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest is current. Expenditures incurred before the Group has obtained legal rights to explore a specific area are expensed as incurred. Amortisation is not charged on areas under development, pending commencement of production.

#### (k) Trade and other payables

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

#### (l) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

#### (m) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

Employees benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

#### (n) Income tax

##### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

##### *Deferred tax*

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2009

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### (o) **Equity-based payments**

The Company determines the fair value of options issued to employees as remuneration and recognises the expense in the income statement. This policy is not limited to options and also extends to other forms of equity based remuneration.

Fair value is measured using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

#### (p) **Foreign currency translation**

##### *(i) Functional and presentation currency*

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

The functional currencies of the Company's subsidiaries are as follows:

- Australia - AUD
- Bahamas - USD
- Chile - CLP
- Peru - PEN

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2009

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (ii) *Transactions and balances*

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

#### (iii) *Group companies*

- The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity

#### (q) **Earnings per share**

Basic earnings per share is determined by dividing the profit / (loss) from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated as net profit / (loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (r) **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (s) **Comparative amounts**

When required by accounting standards, comparative figures have been re-stated to conform to changes in the current year.

#### (t) **Critical accounting estimates and judgments**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2009

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Examples of those areas which require accounting estimates and judgments include provision for write-down of loans; carrying values of exploration expenditure and share-based payments.

#### *Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation assets through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

#### *Share-based payment transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined through an option valuation model, taking into account the terms and conditions upon which the instruments were granted.

#### *Provision for intercompany loans*

The recoverability of the intercompany loans with Golden Eagle Resources Peru SAC is largely ultimately dependant on the recoverability of the capitalised exploration and evaluation assets. Due to the uncertainty as to if and when the loans will be repaid, the loans have been provided for in full.

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>2. Revenue</b>				
Interest received	15,787	33,625	15,787	33,625
<b>3. Expense and Losses and Gains from Ordinary Activities</b>				
(a) Expenses				
Depreciation	(14,002)	(3,183)	(1,077)	(3,183)
Exploration and evaluation costs	-	(10,253)	-	(4,976)
Interest expense	-	(2,917)	-	(2,917)
Employee share based payments	(54,038)	(140,684)	(54,038)	(140,684)
Diminution in loans to controlled entities	-	-	(1,300,696)	(1,139,283)
(b) Losses and Gains				
Net foreign currency gain/(loss)	(7,086)	(3,405)	1,057,888	(687,800)



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

<b>4.</b>	<b>Earnings per Share</b>	<b>2009</b>	<b>2008</b>
		<b>No. of Shares</b>	<b>No. of Shares</b>
	Weighted average number of ordinary shares outstanding during the year used in calculation of earnings per share	161,576,434	140,274,650
	Weighted average number of potential ordinary shares outstanding during the year used in calculation of diluted earnings per share	161,576,434	140,274,650

As the Group is in a loss making position no shares are considered dilutive as this would reduce the loss per share.

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>5. Income taxes</b>				
<b>(a) Income tax recognised in profit or loss</b>				
Prima facie tax on operating loss before income tax at 30%	(126,615)	(195,158)	(132,524)	(649,328)
Tax effect of permanent and temporary differences	2,233	244,573	72,950	591,509
Tax loss / (revenue) not brought to account	124,382	(49,415)	59,574	57,819
Income tax attributable to operating loss	-	-	-	-
<b>(b) Deferred tax balances</b>				
Deferred tax assets and liabilities at 30 June not brought to account as realisation of the benefit is not probable comprise:				
Employee benefits	-	4,886	-	4,886
Capital raising costs	18,523	30,332	18,523	30,332
Provision for diminution of investments	-	-	95,420	95,420
Provision for diminution of intercompany loans	-	-	2,055,717	1,665,508
Other	4,193	4,800	4,193	4,800
Deferred tax asset not brought to account	(22,716)	(40,018)	(2,173,853)	(1,800,946)
Net deferred tax balances	-	-	-	-
<b>(c) Deferred tax assets arising from unconfirmed tax losses and capital losses not brought to account at balance date as realisation of the benefit is not probable.</b>				
Income tax losses	1,574,930	1,450,548	1,144,268	1,084,694
Net timing difference	22,716	40,018	2,173,853	1,800,946
Net deferred tax asset not brought to account	1,597,646	1,490,566	3,318,121	2,885,640

No income tax is payable by the Group. The Directors have considered it prudent not to bring to account the future income tax benefit of income tax losses and exploration deductions until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefit to be realised.

The Group has estimated unrecouped income tax losses of \$5,250,000 (2008: \$4,835,000) which may be available to offset against taxable income in future years.

The benefit of these losses and timing differences will only be obtained if:

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

- (a) the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Group continues to comply with the condition of deductibility imposed by Australian, Peruvian and Chilean laws; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>6. Cash and cash equivalents</b>				
Cash at bank	191,969	673,805	175,494	576,806
Short term deposits	-	-	-	-
	<u>191,969</u>	<u>673,805</u>	<u>175,494</u>	<u>576,806</u>

**7. Trade and other receivables**

**Current Receivables**

Sundry debtors	22,900	10,349	8,319	5,603
Provision for doubtful debtors	-	-	-	-
	<u>22,900</u>	<u>10,349</u>	<u>8,319</u>	<u>5,603</u>

None of the current trade and other receivables are impaired or past due but not impaired.

**8. Prepayments**

Sundry prepayments	<u>10,217</u>	<u>1,916</u>	<u>9,101</u>	<u>-</u>
--------------------	---------------	--------------	--------------	----------

**9. Other financial assets**

Shares in controlled entities	-	-	318,068	318,068
Diminution in shares in controlled entities	-	-	(318,068)	(318,068)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loans to controlled entities	-	-	6,852,389	5,551,692
Diminution in loans to controlled entities	-	-	(6,852,389)	(5,551,692)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Name of Entity	Country of Incorporation	Cost of Parent Entity's Investment		Equity Holding	
		2009	2008	2009	2008
		\$	\$	%	%
Westmag Resources Limited	Bahamas	252,382	252,382	100%	100%
Black Eagle Resources Limited	Bahamas	65,686	65,686	100%	100%
Black Eagle Resources Peru SAC	Peru	-	-	100%	100%
Golden Eagle Resources Peru SAC	Peru	-	-	100%	100%
Inversiones Fortuna Resources Limitada	Chile	-	-	100%	100%



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>10. Plant and Equipment</b>				
Cost - opening	84,407	100,267	27,140	27,140
Additions	-	1,328	-	-
Exchange differences	12,751	(17,188)	-	-
Disposals/written off	(22,022)	-	(22,022)	-
Cost - closing	75,136	84,407	5,188	27,140
Accumulated depreciation - opening	(56,303)	(49,110)	(26,063)	(22,880)
Disposals/written off	22,022	-	22,022	-
Exchange differences	(6,043)	(4,010)	-	-
Depreciation	(14,002)	(3,183)	(1,077)	(3,183)
Accumulated depreciation - closing	(54,326)	(56,303)	(5,188)	(26,063)
Written down value - opening	28,104	51,157	1,077	4,260
Written down value - closing	20,810	28,104	-	1,077
<b>11. Exploration and Evaluation Expenditure</b>				
Written down value - opening	2,729,309	1,445,027	-	-
Exploration expenditure	167,630	1,488,852	-	-
Exchange differences	554,324	(204,570)	-	-
Write downs	-	-	-	-
Written down value - closing	3,451,263	2,729,309	-	-
<b>12. Trade and other payables</b>				
<b>Current Payables</b>				
Trade creditors	29,691	10,071	26,640	3,814
Accruals	17,096	26,500	17,096	26,500
	46,787	36,571	43,736	30,314

Trade liabilities are non-interest bearing and normally settled on 30-day terms.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>13. Provisions - Current</b>				
Employee entitlements	-	2,817	-	2,817
<b>Provisions - Non-Current</b>				
Employee entitlements	-	13,468	-	13,468
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Number of employees at year end	3	4	1	2
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>	<b>\$</b>	<b>\$</b>
<b>14. Contributed Equity</b>				
<i>Ordinary Shares</i>				
Ordinary shares at beginning of year	161,576,434	111,576,434	11,742,396	9,451,137
Share placement at 4 cents	-	10,000,000	-	400,000
Share placement at 5 cents	-	40,000,000	-	2,000,000
Less Capital raising costs	-	-	-	(108,741)
<b>Ordinary shares at end of year</b>	<b>161,576,434</b>	<b>161,576,434</b>	<b>11,742,396</b>	<b>11,742,396</b>

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.

*Share Options*

As at 30 June 2009 the following options to subscribe for ordinary shares existed:

- (i) 1,000,000 unlisted options exercisable on or before 5 September 2009 at an exercise price of 8 cents each. At year end 1,000,000 of these options had vested.
- (ii) 5,100,000 unlisted options exercisable on or before 31 December 2010 at an exercise price of 8 cents each. At year end 3,400,000 of these options had vested.
- (iii) 1,000,000 unlisted options exercisable on or before 31 December 2009 at an exercise price of 7 cents each. At year end 1,000,000 of these options had vested.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>15. Reserves</b>				
<i>Options reserve</i>				
Balance at beginning of year	289,615	148,931	289,615	148,931
Issued	-	-	-	-
Directors' options vested	54,038	102,434	54,038	102,434
Consultant options vested	-	38,250	-	38,250
Balance at end of year	<u>343,653</u>	<u>289,615</u>	<u>343,653</u>	<u>289,615</u>
<i>Foreign currency translation reserve</i>				
Balance at beginning of year	(466,733)	(215,850)	-	-
Currency translation differences arising during the year	627,756	(250,883)	-	-
Balance at end of year	<u>161,023</u>	<u>(466,733)</u>	<u>-</u>	<u>-</u>
Total Reserves	<u>504,676</u>	<u>(177,118)</u>	<u>343,653</u>	<u>289,615</u>
<b>16. Accumulated Losses</b>				
Balance at the beginning of this year	(8,174,651)	(7,524,124)	(11,495,124)	(9,330,699)
Loss for the year	<u>(422,049)</u>	<u>(650,527)</u>	<u>(441,747)</u>	<u>(2,164,425)</u>
Balance at the end of the year	<u>(8,596,700)</u>	<u>(8,174,651)</u>	<u>(11,936,871)</u>	<u>(11,495,124)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

17.	Notes to the Cash Flow Statement	Group		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
	<i>(a) Reconciliation of net cash used in operating activities to operating loss after income tax</i>				
	Operating loss after tax	(422,049)	(650,527)	(441,747)	(2,164,425)
	<i>Add non cash items:</i>				
	Depreciation	14,002	3,183	1,077	3,183
	Net foreign currency (gain) / loss	7,086	3,405	(1,057,888)	687,800
	Share based payments expense	54,038	140,684	54,038	140,684
	Diminution in loans to controlled entities	-	-	1,300,696	1,139,282
	<i>Changes in net assets and liabilities</i>				
	(Increase) / decrease in receivables	(12,551)	1,033	(2,716)	(5,603)
	(Increase) / decrease in prepayments	(8,301)	(715)	(9,101)	723
	Increase / (decrease) in payables	10,216	(17,644)	13,422	(9,812)
	Increase / (decrease) in other provisions	(16,285)	(9,020)	(16,285)	(9,020)
	Net cash outflow from operating activities	<u>(373,844)</u>	<u>(529,601)</u>	<u>(158,504)</u>	<u>(217,188)</u>

*(b) Non-cash financing and investing activities*

None.

**18. Director and Executive Disclosures**

*(a) Directors and Executives*

The names and positions held by key management personnel in office at any time during the year are:

P McAleer	Non-Executive Chairman
J Malone	Managing Director & Joint Company Secretary
S Titchener	Executive Director
H Dawson	Non-Executive Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

18. **Director and Executive Disclosures (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
(b) <i>Remuneration of Directors</i>				
Short term	92,243	171,265	39,673	71,297
Share-based payments	54,038	102,435	54,038	102,435
	<u>146,281</u>	<u>273,700</u>	<u>93,711</u>	<u>173,732</u>

(c) *Remuneration Options: Granted and Vested during the Year*

During the financial year ended 30 June 2009, no options were granted as equity based compensation benefits and 1,700,000 equity based compensation benefit options were vested.

(d) *Option holdings of Directors and officers*

Aggregate number of share options of Latin Gold Limited held directly, indirectly or beneficially by Directors of their director related entities:

**30 June 2009**

Name	<i>Balance at beginning of year</i>	<i>Granted as Remuneration</i>	<i>Options Expired</i>	<i>Balance at end of year</i>	<i>Vested at 30 June 2009</i>	<i>Exercisable at 30 June 2009</i>
P McAleer	1,600,000	-	(1,000,000)	600,000	400,000	400,000
J Malone	3,000,000	-	(1,500,000)	1,500,000	1,000,000	1,000,000
S Titchener	3,000,000	-	(1,500,000)	1,500,000	1,000,000	1,000,000
H Dawson	2,250,000	-	(750,000)	1,500,000	1,000,000	1,000,000
	<u>9,850,000</u>	<u>-</u>	<u>(4,750,000)</u>	<u>5,100,000</u>	<u>3,400,000</u>	<u>3,400,000</u>

**30 June 2008**

Name	<i>Balance at beginning of year</i>	<i>Granted as Remuneration</i>	<i>Options Expired</i>	<i>Balance at end of year</i>	<i>Vested at 30 June 2008</i>	<i>Exercisable at 30 June 2008</i>
P McAleer	1,000,000	600,000	-	1,600,000	1,200,000	1,200,000
J Malone	1,500,000	1,500,000	-	3,000,000	2,000,000	2,000,000
S Titchener	1,500,000	1,500,000	-	3,000,000	2,000,000	2,000,000
H Dawson	750,000	1,500,000	-	2,250,000	1,250,000	1,250,000
	<u>4,750,000</u>	<u>5,100,000</u>	<u>-</u>	<u>9,850,000</u>	<u>6,450,000</u>	<u>6,450,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2009

(e) *Shareholdings of Directors and officers*

Aggregate number of ordinary shares of Latin Gold Limited held directly, indirectly or beneficiary by Directors and officers of their Director related entities:

**30 June 2009**

Name	<i>Balance at beginning of year</i>	<i>Purchased</i>	<i>Balance at end of year</i>
P McAleer	1,382,539	-	1,382,539
J Malone	1,670,000	-	1,670,000
S Titchener	1,150,000	-	1,150,000
H Dawson	1,753,000	-	1,753,000
	<u>5,955,539</u>	<u>-</u>	<u>5,955,539</u>

**30 June 2008**

Name	<i>Balance at beginning of year</i>	<i>Purchased</i>	<i>Balance at end of year</i>
P McAleer	1,382,539	-	1,382,539
J Malone	1,120,000	550,000	1,670,000
S Titchener	1,150,000	-	1,150,000
H Dawson	881,000	872,000	1,753,000
	<u>4,533,539</u>	<u>1,422,000</u>	<u>5,955,539</u>

(f) *Directors payables*

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Amounts payable to Directors and Director related entities at the end of the financial year, included in current liabilities	11,518	10,500

**19. Related Party Disclosures**

*Ultimate Parent*

Latin Gold Limited is the ultimate Australian parent company.

*Wholly Owned Group Transactions*

Loans made by Latin Gold Limited to wholly-owned subsidiaries have no fixed repayment date and are interest free.

Loans made by Latin Gold Limited to wholly-owned subsidiaries still outstanding as at 30 June 2009 amount to \$6,852,389 (June 2008: \$5,551,692). These loans have been provided for in full. Refer to Note 9.

*Key Management Personnel*

Transactions between the Group and key management personnel are disclosed in note 18 and in the Remuneration Report.

During the financial year ended 30 June 2009, an amount of \$37,932 (2008: \$38,019) was paid to Discovery Capital Limited (Discovery) as a recoupment of costs paid by Discovery on behalf of Latin Gold for the provision of, inter alia, office premises, secretarial support, telephone, office amenities, computing equipment and office operating outgoings. Mr Howard Dawson is a director of Discovery.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2009

#### 20. Equity-based payments

The Company has entered into an Employee Share Option Plan that allows for share options to be granted to eligible employees and officers of the Company. The terms and conditions of the share option issued under the plan are at the discretion of the Board, however, the maximum term of the share option is five years.

During the year no share options were granted to Directors to acquire ordinary shares.

All options granted to Directors and key management personnel are for ordinary shares in Latin Gold Limited, which confer a right of one ordinary share for every option held.

	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the year	13,750,000	\$0.11	6,650,000	\$0.13
Granted	-	-	7,100,000	\$0.08
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(6,650,000)	\$0.13	-	-
Outstanding at year-end	<u>7,100,000</u>	<u>\$0.079</u>	<u>13,750,000</u>	<u>\$0.11</u>
Exercisable at year-end	<u>5,400,000</u>	<u>\$0.078</u>	<u>10,350,000</u>	<u>\$0.11</u>

The options outstanding at 30 June 2009 have a weighted average exercise price of \$0.08 (2008: \$0.11) and a weighted average remaining life of 1.18 years (2008: 1.28 years). Exercise prices range from \$0.07 to \$0.08 in respect of options outstanding at 30 June 2009.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$54,038 (2008: \$140,684) and relates, in full, to equity-settled share-based payment transactions.

No options were issued during the year ended 30 June 2009.

	Group		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
21. Auditors' Remuneration				
Amounts received or due and receivable by Stantons International for:				
Auditing and reviewing accounts	28,528	30,039	28,528	30,039
Other services	-	-	-	-
Other auditors	2,500	2,000	-	-
	<u>31,028</u>	<u>32,039</u>	<u>28,528</u>	<u>30,039</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

22. Commitments	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
There were no outstanding commitments, which are not disclosed in the financial statements as at 30 June 2009 other than:				
<i>Tenement commitments</i>				
No later than 1 year	7,130	100,000	-	-
Later than 1 year but not later than 5 years	28,520	-	-	-
	<u>35,650</u>	<u>100,000</u>	<u>-</u>	<u>-</u>

**23. Financial Instruments**

	Notes	Floating Interest Rate	1 year or less	Over 1-5 years	Non interest bearing	Total
		\$	\$	\$	\$	\$
<b>Consolidated 2009</b>						
Financial assets						
Cash and cash equivalents	6	163,555	-	-	28,414	191,969
Trade and other receivables	7	-	-	-	22,900	22,900
Total financial assets		<u>163,555</u>	<u>-</u>	<u>-</u>	<u>51,314</u>	<u>214,869</u>
Financial liabilities						
Trade and other payables	12	-	-	-	(46,787)	(46,787)
Total financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,787)</u>	<u>(46,787)</u>
<b>Net financial assets/ (liabilities)</b>		<u>163,555</u>	<u>-</u>	<u>-</u>	<u>4,527</u>	<u>168,082</u>

Weighted average interest rate on cash and cash equivalents is 2.3%

**2008**

Financial assets						
Cash and cash equivalents	6	485,821	-	-	187,984	673,805
Trade and other receivables	7	-	-	-	10,349	10,349
Total financial assets		<u>485,821</u>	<u>-</u>	<u>-</u>	<u>198,333</u>	<u>684,154</u>
Financial liabilities						
Trade and other payables	12	-	-	-	(36,571)	(36,571)
Total financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,571)</u>	<u>(36,571)</u>
<b>Net financial assets/ (liabilities)</b>		<u>485,821</u>	<u>-</u>	<u>-</u>	<u>161,762</u>	<u>647,583</u>

Weighted average interest rate on cash and cash equivalents 4.7%



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2009**

	Notes	Floating Interest Rate \$	1 year or less \$	Over 1-5 years \$	Non interest bearing \$	Total \$
<b>Company</b>						
<b>2009</b>						
Financial assets						
Cash and cash equivalents	6	163,555	-	-	11,939	175,494
Trade and other receivables	7	-	-	-	8,319	8,319
Total financial assets		<u>163,555</u>	<u>-</u>	<u>-</u>	<u>20,258</u>	<u>183,813</u>
Financial liabilities						
Trade and other payables	12	-	-	-	(43,736)	(43,736)
Total financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,736)</u>	<u>(43,736)</u>
<b>Net financial assets/ (liabilities)</b>		<u>163,555</u>	<u>-</u>	<u>-</u>	<u>(23,478)</u>	<u>140,077</u>

Weighted average interest rate on cash and cash equivalents is 2.6%

**2008**

Financial assets						
Cash and cash equivalents	6	485,821	-	-	90,985	576,806
Trade and other receivables	7	-	-	-	5,603	5,603
Total financial assets		<u>485,821</u>	<u>-</u>	<u>-</u>	<u>96,588</u>	<u>582,409</u>
Financial liabilities						
Trade and other payables	12	-	-	-	(30,314)	(30,314)
Total financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,314)</u>	<u>(30,314)</u>
<b>Net financial assets/ (liabilities)</b>		<u>485,821</u>	<u>-</u>	<u>-</u>	<u>66,274</u>	<u>552,095</u>

Weighted average interest rate on cash and cash equivalents 5.4%

<b>Reconciliation of net financial assets to net assets</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>		
Net Financial Assets	168,082	647,583
Prepayments	10,217	1,916
Property, Plant and Equipment	20,810	28,104
Exploration and evaluation expenditure	3,451,263	2,729,309
Provisions	-	(16,285)
Net Assets	<u>3,650,372</u>	<u>3,390,627</u>
<b>Parent</b>		
Net Financial Assets	140,077	552,095
Prepayments	9,101	-
Property, Plant and Equipment	-	1,077
Provisions	-	(16,285)
Net Assets	<u>149,178</u>	<u>536,887</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 30 June 2009

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### 23. Financial Instruments (cont'd)

#### Interest rate risks

The Group entities exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group does not have a formal policy in place to mitigate such risks.

#### Foreign currency risks

The Group undertakes certain transactions denominated in foreign currencies, hence it has exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by holding all funds in Australian dollars and only remitting funds to foreign subsidiaries as needed to reduce the foreign currency exposure.

The Group has foreign subsidiary companies with a functional currency that differs to the presentation currency of the Group. The financial statements of the foreign subsidiaries are required to be translated from the functional currency to the presentation currency of the Group, being Australian dollars. Any movement in the exchange rates will affect the carrying values of the Group's assets and liabilities where the financial statements of the subsidiary companies are denominated in a currency other than Australian dollars.

#### Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those financial assets as disclosed in the balance sheet and notes to the financial statements. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties.

#### Net fair value

The net fair value of all assets approximates their carrying value.

#### Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

#### Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on the loss and equity as a result of a 2% increase in the interest rate on interest bearing financial instruments, with all other variables remaining constant, would be a decrease in loss by \$3,000 (2008: \$10,000) and an increase in equity by \$3,000 (2008: \$10,000).

#### Foreign Currency Risk Sensitivity Analysis

At 30 June 2009, the effect on loss and equity as a result of a 5% (2008: 5%) improvement in the value of the Australia dollar to the US dollar, with all other variables remaining constant would be that the loss would increase/decrease by nil (2008: unchanged) and equity would increase/decrease by \$nil (2008: approximately unchanged). All intercompany loan balances have been provided for in full.

#### Price Risk Sensitivity Analysis

The Group does not hold any held for trading or available for sale financial assets. As the Group does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mineral projects will be impacted by commodity price changes (predominantly gold) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2009

#### 24. Segment Information

The Company operates in the mining industry. All information relating to this is contained throughout this report.

##### Geographical segments:

	Australia \$	South America \$	Group \$
<b>Segment revenue</b>			
2009	15,787	-	15,787
2008	33,625	-	33,625
<b>Segment result</b>			
2009	(252,469)	(169,580)	(422,049)
2008	(388,444)	(262,083)	(650,527)
<b>Segment assets</b>			
2009	192,914	3,504,245	3,697,159
2008	583,486	2,859,997	3,443,483
<b>Segment liabilities</b>			
2009	43,736	3,051	46,787
2008	45,599	6,257	52,856
<b>Depreciation and amortisation expense</b>			
2009	1,077	12,925	14,002
2008	3,183	-	3,183

#### 25. Subsequent Events

On 22 September 2009, the Company issued an Entitlement Issue Prospectus ("Prospectus") with the ASIC and the ASX. Under the terms of the Prospectus, the Company is seeking to raise capital via a non-renounceable entitlement issue of 1 new ordinary share for every 1 share held by shareholders on 6 October 2009. The new shares are to be issued at a price of \$0.01 per share and it is anticipated that 161,576,434 new shares will be issued, raising \$1,615,764. The offer is fully and unconditionally underwritten. Total shares on issue after the offer will be 323,152,868.

#### 26. Contingent Liabilities

The Group does not have any contingent liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2009

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#### 27. New Accounting Standards issued but not yet effective

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 and 139 and Interpretations 9 & 107 (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136 (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application, in this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;

- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;

- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;

- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);

- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;

- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and

- where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2009

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inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2006-8: Amendments to Australian Accounting Standards – Eligible Hedged items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.

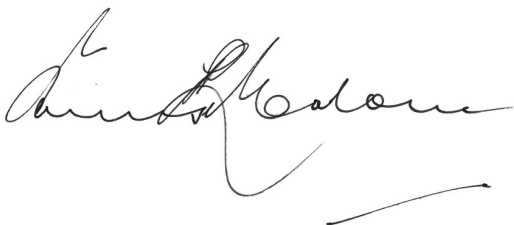
## DIRECTORS' DECLARATION

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The Directors of the Company declare that:

1. the financial statements, notes and additional disclosures included in the Directors' Report designated as audited are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the balance sheet as at 30 June 2009 and of the income statement for the year ended on that date of the Company and consolidated entity;
2. the Managing Director and Chief Financial Officer have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;
  - (b) the financial statements and notes for the financial year comply with the International Financial Reporting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Jim Malone**  
Managing Director

Dated at Perth this 30th day of September 2009



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LATIN GOLD LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Latin Gold Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

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

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 9 to 12 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

### *Auditor's opinion*

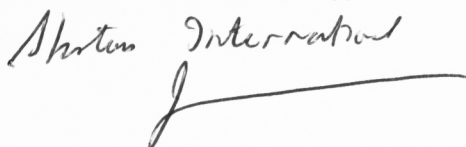
In our opinion the remuneration report of Latin Gold Limited for the year ended 30 June 2009 complies with section 300 A of the *Corporations Act 2001*.

### *Inherent Uncertainty Regarding Going Concern*

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As described in Note 1(a) by the directors, the ability of the Company and of its subsidiaries to continue as going concerns and meet their planned exploration, administration, and other commitments is dependent upon the Company and its subsidiaries raising further working capital, and/or commencing profitable operations. In the event that the Company cannot raise further equity, the Company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the Company's and consolidated entity's non-current assets may be significantly less than book values.

**STANTONS INTERNATIONAL**  
**(An Authorised Audit Company)**



**J P Van Dieren**  
Director

West Perth, Western Australia  
30 September 2009



## CORPORATE GOVERNANCE STATEMENT

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The Board of Directors of Latin Gold Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability. The Company has adopted the ASX Corporate Governance Principles and Recommendations, with some amendments where applicable after giving consideration to the Company's size and the resources it has available.

A summary of the Company's key policies is set out below:

### BOARD OBJECTIVES

The Board is responsible for developing strategies for the Company, reviewing strategic objectives and monitoring the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholder value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities;

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of and being accountable to shareholders;
- identifying business risks and implementing actions to manage and mitigate those risks; and
- developing and effecting management and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully informed basis.

### COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least three Directors;
- the Board should comprise Directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all Directors are made aware of and have available all necessary information to participate in an informed discussion on all agenda items.

The Board accepts the ASX Corporate Governance Council's definition of an Independent Director.

There are procedures in place, as agreed by the Board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

- P McAleer – 8 years and 7 months
- J Malone – 9 years and 6 months
- S Titchener – 9 years and 6 months
- H Dawson – 5 years and 10 months

# CORPORATE GOVERNANCE STATEMENT

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## REMUNERATION AND NOMINATION COMMITTEES

The Company does not have formal remuneration or nomination committees. The full Board attends to the matters normally attended to by a remuneration committee and a nomination committee. Given the composition of the Board and the size of the Company, it is felt that these individual committees are not yet warranted, however, it is expected that as the Company's operations expand that each of these committees will be established.

Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

### *Remuneration Arrangements*

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective, the Board links the nature and amount of executive Directors' emoluments to the Company's financial and operational performance. The expected outcomes of this remuneration structure are:

- retention and motivation of Directors; and
- performance rewards to allow Directors to share the rewards of the success of the Company.

The remuneration of an executive Director will be decided by the Board as a whole. In determining competitive remuneration rates, the Board reviews local and international trends among comparative companies and the industry generally.

The maximum remuneration of non-executive Directors is the subject of a shareholder resolution in accordance with the Company's Constitution and the Corporations Act. The allocation of non-executive Director remuneration, within the amount determined by shareholders, will be made by the Board having regard to the inputs and value to the Company and the respective contribution made by each non-executive Director.

The Board may award additional remuneration to non-executive Directors if they are called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation to non-executive Directors.

All remuneration paid to Directors and executives is valued at the cost to the Company and is expensed. Options that may be issued will be valued using the Black-Scholes methodology.

### *Nomination Arrangements*

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new Director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders.

## AUDIT COMMITTEE

The shareholders in a general meeting are responsible for the appointment of the external auditors of the Company and the Board, from time to time, will review the scope, performance and fees of those external auditors.

The Board has established an audit committee which operates under a Charter of the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial and non

## CORPORATE GOVERNANCE STATEMENT

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financial information. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control of the Company to the audit committee.

The members of the audit committee at the end of the year and date of this report are:

- H Dawson (Chairman)
- P McAleer
- M Higginson

### *Qualifications of audit committee members*

Mr Dawson is the Chairman of the audit committee and is the holder of a Bachelor of Science (Geology). Mr Dawson has extensive experience in both the securities industry and the natural resources sector holding numerous senior management and board positions within those sectors.

Mr McAleer is the holder of an honours degree in Commerce and is a Barrister at law. Mr McAleer has over 40 years senior management expertise within the natural resource sector.

Mr Higginson is the holder of a Bachelor of Business degree with majors in Finance and Administration and has accumulated in excess of 20 years experience in senior management,

The audit committee can also invite a member of its auditor, Stantons International to attend meetings.

### **BOARD RESPONSIBILITIES**

As the Board acts on behalf of and is accountable to shareholders, it seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage and mitigate those risks.

The responsibility for the operation and administration of the Company is currently attended to by the Board.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- implementation of operating plans and budgets by management and Board monitoring progress against those plans and budgets; and
- procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

### **MONITORING OF THE BOARD'S PERFORMANCE**

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is to be reviewed annually by the Chairman. Directors whose performance is unsatisfactory will be asked to retire.

### **IDENTIFICATION AND MANAGEMENT OF RISK**

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management will be recurring items for deliberation at Board meetings.

### **ETHICAL STANDARDS**

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices.

# CORPORATE GOVERNANCE STATEMENT

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## MANAGEMENT OF THE BOARD

The full Board will hold scheduled meetings on at least a bi monthly basis and any additional meetings at such time as may be necessary to address specific matters that may arise. In between meetings, decisions will be adopted by way of written resolution.

## CHAIRMAN

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with its committees.

## ENVIRONMENT

The Company aims to ensure that the highest standard of environmental care is achieved and that it complies with all relevant environmental legislation.

## BUSINESS RISK

The Board monitors areas of operational and financial risk and considers strategies for appropriate risk management and mitigation.

Where necessary, the Board will draw on the expertise of appropriate external consultants to assist in dealing with or mitigating areas of risk which are identified.

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

Control procedures cover management accounting, financial reporting, project appraisal, environment, IT security, compliance and other risk management issues.

## SHAREHOLDERS

The Board aims to ensure that shareholders are, at all times, fully informed in accordance with the spirit and letter of the Australian Securities Exchange's continuous disclosure requirements.

Publicly released documents are made available on the Company's web site at [www.latingold.com.au](http://www.latingold.com.au).

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors and changes to the Constitution. Copies of the Company's Constitution are available to any shareholder who requests it.

This Corporate Governance Statement sets out Latin Gold's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Best Practice Recommendations). The Best Practice Recommendations are not mandatory, however, the Company is required to provide a statement in its annual report disclosing the extent to which the Company has followed the Best Practice Recommendations and the reasons for departure (if any).

	BEST PRACTICE RECOMMENDATION	COMMENT
1	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to	The Company's Corporate Governance Policy includes a Board Charter, which discloses the

## CORPORATE GOVERNANCE STATEMENT

	senior executives and disclose those functions.	specific responsibilities of the Board. The Company has not established the functions delegated to senior executives at this time as there are no other senior executives.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Board will monitor the performance of senior management, including measuring actual performance against planned performance. The Board has also adopted a policy to assist in evaluating Board performance.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	An evaluation of senior executives did not take place in the financial year as there are no executives, other than the Directors. A copy of matters reserved for the Board, including the Board Charter is maintained at the Company's website. The Company will explain any departures (if any) from best practice recommendations 1.1, 1.2 and 1.3 in its annual reports.
<b>2</b>	<b>Structure the board to add value</b>	
2.1	A majority of the board should be independent directors.	A majority of the Board are not independent Directors. Messrs McAleer and H Dawson are independent and Messrs Malone and Titchener are not independent.
2.2	The chair should be an independent director.	The Chairman, Mr McAleer, is independent.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr J Malone, the Company's Managing Director, is the Company's only executive officer and Mr Malone is not the Chairman.
2.4	The board should establish a nomination committee.	No formal nomination committee has been adopted by the Company.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Chairman reviews the composition of the Board, its committees and the performance of each Director to ensure that it continues to have a mix of skills and experience necessary for the conduct of the Company's activities. A new Director will receive an induction appropriate to his or her experience.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	The Company provides details of each Director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures (if any) from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in annual reports. A description of the skills and experience of each Director and their period in office is contained within this Annual Report. Messrs McAleer and Dawson are considered to be independent as they are not substantial shareholders, are not employed by the Company, have not within the last 3 years been a principal of a material professional advisor or a material consultant to the Company, are not material suppliers to the Company or associated with a material supplier and they have no material contractual relationship with the Company. The Company has a procedure in place that enables Directors to take independent professional advice at the expense of the Company. No nomination committee has been established. The Board, as a whole, currently serves as a nomination

## CORPORATE GOVERNANCE STATEMENT

		<p>committee. The Board considers that the Company is not of a size that warrants the establishment of a nomination committee.</p> <p>An evaluation of the Board, its committees and Directors (in accordance with the disclosed process) took place during the reporting period.</p> <p>A description of the procedure for the selection and appointment of new Directors and the re-election of incumbents is contained within the Board Charter which is maintained at the Company's website.</p>
<b>3</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	<p>The Company's Corporate Governance Policy includes a code of conduct for Directors and key executives. This code of conduct provides a framework for the practices necessary to maintain confidence in the Company's integrity, to take into account the legal obligations and expectations of stakeholders and for reporting any observed breaches of laws or regulations.</p>
3.2	<p>Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.</p>	<p>The Company's Corporate Governance Policy includes a share trading policy that provides comprehensive guidelines on trading in Company securities by Directors, officers and employees.</p>
3.2	<p>Companies should provide the information indicated in the Guide to reporting on Principle 3.</p>	<p>The Company will explain any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 in its annual reports.</p> <p>The code of conduct and share trading policy are disclosed on the Company's website.</p>
<b>4</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	<p>The board should establish an audit committee.</p>	<p>An audit committee has been established by the Company.</p>
4.2	<p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul>	<p>The audit committee consists only of non-executive Directors, who are independent, and the Company Secretary. It is chaired by Mr Dawson, who is not chair of the Board. The audit committee has three members.</p>
4.3	<p>The audit committee should have a formal charter.</p>	<p>The audit committee has adopted an audit committee charter.</p>
4.4	<p>Companies should provide the information indicated in the Guide to reporting on Principle 4.</p>	<p>The names and qualifications of those appointed to the audit committee, their attendance at meetings and the number of meetings are set out in the Directors' Report.</p> <p>The audited committee charter is maintained at the Company's website.</p> <p>The Company will explain any departures (if any) from best practice recommendations 4.1, 4.2 and 4.3 in its annual report.</p>
<b>5</b>	<b>Make timely and balanced disclosure</b>	



## CORPORATE GOVERNANCE STATEMENT

5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a Board level for compliance and factual presentation of the Company's financial position. The continuous disclosure policy is maintained at the Company's website.
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5.	The Company will provide an explanation of any departures (if any) from best practice recommendation 5.1 in its annual reports.
<b>6</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company's Corporate Governance Policy includes a shareholder communications policy, which aims to promote effective communication with shareholders, to encourage shareholder participation at AGM's and to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The shareholder communications policy is maintained at the Company's website.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Company will provide an explanation of any departures (if any) from best practice recommendations 6.1 or 6.2 in its annual reports.
<b>7</b>	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategies and policies, risk mitigation, internal compliance and internal controls. The Company's Corporate Governance Policy includes a risk management policy for the oversight and management of material business risks. The categories of risk reported on include exploration risk, operating risk, resource estimates, commodity price volatility, exchange rate risk, environmental risk, title risk, additional requirements for capital and reliance on key management. The Company's risk management policy is maintained at the Company's website.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board requires management to design and implement continuous risk management and internal control systems to manage the Company's material business risks. The Board requires management to report to it on whether those risks are being managed effectively and management has reported to the Board as to the effectiveness of the Company's management of its material business risks.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in	The Board has received assurance from the relevant personnel that the s 295A declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risks.

## CORPORATE GOVERNANCE STATEMENT

	all material respects in relation to financial reporting risks.	
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	The Board has received the report from management under Recommendation 7.2 and received assurance from the relevant personnel under Recommendation 7.3. The Company will provide an explanation of any departures (if any) from best practice recommendations 7.1, 7.2, 7.3 and 7.4 in its annual reports.
<b>8</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	No formal remuneration committee has been established by the Company as it is considered this responsibility can be adequately assumed by the full Board.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Board distinguishes the structure of non executive Director's remuneration from that of executive Directors and senior executives. Relevantly, the Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The Board is responsible for determining the remuneration of any Director or senior executives (without the participation of the affected Director).
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	The Board, acting without the affected Director participating in the decision making process, currently serves as the remuneration committee. There are no schemes for retirement benefits other than superannuation for any non executive directors. The Company will provide an explanation of any departures (if any) from best practice recommendations 8.1, 8.2 and 8.3 in its annual reports.



## ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 7 September 2009.

### DISTRIBUTION SCHEDULE OF SECURITY HOLDERS

	Ordinary Shareholders	7 cent Options expiring 31/12/09	8 cent Options expiring 31/12/10
1-1,000	24	-	-
1,001 - 5,000	22	-	-
5,001 - 10,000	100	-	-
10,001 - 100,000	286	-	-
100,001 and over	208	1	4
	640	1	4

### HOLDERS OF NONMARKETABLE PARCELS

There are 183 fully paid ordinary shareholders who hold less than a marketable parcel of shares.

### TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of ordinary shares are:

		Number of Shares Held	% Held
1.	Sunshore Holdings Pty Ltd	17,516,667	10.84
2.	Mr Mohd Idris Bin Jais	8,000,000	4.95
3.	Pagodatree Investments Limited	7,443,062	4.61
4.	Katana Asset Management Limited	5,736,000	3.55
5.	Auriferous Mining Limited	5,050,000	3.13
6.	Exchange Minerals Pty Ltd	3,200,000	1.98
7.	Rogue Investments Pty Ltd	3,000,000	1.86
8.	Dr Salim Cassim	2,550,000	1.58
9.	Mr Mohd Idris Bin Jais H	2,466,700	1.53
10.	Kinsella Donal	2,448,465	1.52
11.	Bell Potter Nominees Limited	2,300,000	1.42
12.	Maminda Pty Ltd	2,000,000	1.24
13.	Mr Christopher Selby Lewis + Mrs Jeanette Leonie Lewis	2,000,000	1.24
14.	Berne No 132 Nominees Pty Ltd	1,747,546	1.08
15.	Mr Richard William Dagleish	1,600,000	0.99
16.	Tabland Pty Ltd	1,553,000	0.96
17.	Katana Equity Pty Ltd	1,500,000	0.93
18.	Ms Bernadette McAleer	1,471,428	0.91
19.	Mr Kevin Raymond Palmer	1,400,000	0.87
20.	JM Phillips Pty Ltd	1,400,000	0.87
		<b>74,382,868</b>	<b>46.06</b>
	Total ordinary shares quoted on ASX	<u>161,576,434</u>	

### RESTRICTED SECURITIES

The Company has no Restricted Securities on issue

## ASX ADDITIONAL INFORMATION

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### UNQUOTED EQUITY SECURITIES

	Number on issue	Number of holders
Options to acquire fully paid ordinary shares at \$0.07 and expiring 31 December 2009	1,000,000	1
Options to acquire fully paid ordinary shares at \$0.08 and expiring 31 December 2010	5,100,000	4

### SUBSTANTIAL SHAREHOLDERS

Sunshore Holdings Pty Ltd has 17,516,667 fully paid ordinary shares representing 10.84% of the total fully paid ordinary shares on issue.

### ON-MARKET BUY-BACK

There is no current on-market buy-back.

### ACQUISITION OF VOTING SHARES

No issues of securities have been approved for the purposes of Item 7 of section 611 of the Corporations Act 2001.

### VOTING RIGHTS

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 per share.

### TAX STATUS

The Company is treated as a public company for taxation purposes.

### FRANKING CREDITS

The Company has nil franking credits.

### TENEMENT SCHEDULE

Project		Tenements	Interest
Monica T	Peru	01-02410-06	100%
Paron Malu 1	Peru	09-01435-x01	100%
Gladys E	Peru	Application	100%