PACMAG METALS LIMITED

ABN 73 066 353 231

Annual Report 2009

CORPORATE INFORMATION

Directors
Rodney Michael Joyce (Chairman)
Michael Joseph Clifford (Managing Director)
Emmanuel Althaus (Non-Executive Director)

Joint Company Secretaries
Bruce Richard Acutt
Melinda Nelmes

Registered Office and Head Office
Level 2
33 Ord Street
West Perth Western Australia 6005

PO Box 1569
West Perth WA 6872

Telephone: +61-8 9481 2997
Facsimile: +61-8 9321 0070
Email: info@pacmag.com.au
Website: www.pacmag.com.au

Solicitors
Allion Legal
Level 2, Fortescue House
50 Kings Park Road
West Perth WA 6005

Auditors
PKF
Chartered Accountants
Level 7, 28 The Esplanade
Perth WA 6000

Bankers
Australia and New Zealand Banking Group Ltd
227 Carlisle Street
Balaclava VIC 3183

Bank West
Level 6, 108 St Georges Terrace
Perth WA 6841

Share Registry
Link Market Services Ltd
GPO Box 1500
Sydney New South Wales 1234

Telephone: +61-2 8280 7454
Facsimile: +61-2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Securities Exchange
Australian Securities Exchange
Home Exchange: Perth, Western Australia
ASX Code: PMH

TABLE OF CONTENTS

CHAIRMAN'S REPORT

The last year saw one of the most volatile periods in history on financial markets, along with a plunge in the prices of the Company's commodities of interest, particularly copper, and big falls in relevant exchange rates. These external factors led PacMag to elect to take a more conservative approach than in the previous year, particularly in US dollar expenditure. Despite a modest scale back in exploration activity, the Company again made significant progress in the exploration and development of its projects in the USA and Australia

At our key Ann Mason project in the Yerington District in Nevada USA***,*** high-grade copper sulphide and near surface copper oxide was confirmed in initial drill testing of the new Shamrock project close to the giant Ann Mason copper deposit. Metallurgical testwork returned positive heap leach results for the copper oxide mineralization above the exciting new porphyry copper-molybdenum discovery made last year at Blue Hills, just west of Ann Mason. Copper fundamentals are now looking positive, and there is renewed competitor activity in the Yerington District, which hosts significant undeveloped copper resources, including PacMag's 7.1 billion pound Ann Mason deposit.

Also in the US, in North Dakota, results from a major resource drilling campaign commenced last year led to an initial inferred uranium- molybdenum resource for the Church Deposit, the first area drill tested within the Sentinel Project, and allowed us to establish more substantial regional resource targets for the Company's extensive district landholdings. Good leach recoveries for uranium - molybdenum and germanium mineralization were confirmed and initial process flow-sheets were developed.

The Company also conducted a strategic review assessing our commodity and geographic focus, to guide generation of new projects. This process led to the securing of two new Australian projects; the Mystique gold project and Northing copper project in Western Australia. Additionally we have commenced low cost evaluation of a number of copper and gold projects in Australia, the USA and in Asia, leveraging off our contacts and experience.

Our Managing Director, Mick Clifford, and his small team again deserve a vote of thanks for their efforts in trying times during the year on behalf of the Company.

Mike Joyce
Chairman
23rd September 2009

REVIEW OF OPERATIONS

The past year has seen the highs and lows of the commodity markets as a result of the global financial crisis, with the copper price typical of many commodities in coming off its peak of $3.50/lb in August last year, to a low in January of near $1.30/lb and recovering steadily to $2.60/lb in June 2009. The rate of decline in metal prices commencing August 2008 (nearly 300% in 4 months for copper) was of significant concern and demanded a prudent approach to the Company's capital, and in particular a lightening of discretionary exploration expenditure. Even under these difficult times, the Company has been able to progress its projects and has made significant advances in the Ann Mason district and at the Sentinel Project. The Company has also used the period of the recent downturn to seek new opportunities, securing the Mystique gold project and Northing copper project in Western Australia and it is currently evaluating a number of exciting copper and gold plays in the USA and in Asia.

Summary of Major Progress During the last 12 months by the Company:

Ann Mason Copper Molybdenum District – Nevada USA

- Initial drill testing of the **Shamrock** project, Nevada USA, commenced late in the year, with a total of 12 RC holes completed. Results received include; 33.6m @ 1.72% copper from a depth of 15.2m, 22.4m @ 1.08% copper from a depth of 68m and 19.3m @ 1.03% copper from 91m depth. The drilling also intersected a new zone of near surface copper mineralisation identified in western portion of the prospect area opening up possibility of substantial additional shallow copper mineralisation in this western fault block. Results included; 10.2m @ 0.84% copper from a depth of 11.2m.
- Initial testwork to evaluate the potential of the **Blue Hills** copper oxide mineralisation for heap leaching returned positive results for the mineralised interval in hole BH08006. The test confirmed that the copper oxide mineralisation is acid soluble, with an average acid soluble copper assay recovery of 80%. This is an excellent result and indicates the potential for copper oxide extraction via simple acid leaching, with corresponding low operating and low start-up capital costs.

Sentinel Uranium-Germanium-Molybdenum Project - North Dakota USA

- Completed drilling of 419 RAB holes at the Church Deposit (Sentinel Project, North Dakota) highlighting; strong uranium and molybdenum and very high widespread germanium, with the latter occurring in multiple stacked lignite horizons.
- Reported an initial inferred resource for the Church Deposit, the first area drill tested within the Sentinel Project. The Company believes that there is considerable upside in both grade and tonnes reported as the initial Resource estimate involved a conservative approach.
- Received further positive metallurgical testwork that demonstrates high leach recoveries for uranium - molybdenum and germanium mineralisation using acid or alkaline solutions.
- Subsequent to the end of the year the Company also reported success in trialling acid leaching of the raw lignite to test the amenability for extraction of uranium via heap leaching
- Development of initial process flow-sheets based on the recent metallurgical testwork allowed initial scoping level financial modelling that indicates a conceptual project that is operating cash flow positive

Australian Projects

- A review of previous gold exploration at the Golden Sophia prospect within the **Blue Rose joint venture project** (PacMag 51%) highlighted broad open ended gold intersections up to 60m @ 0.58 g/t gold (10 – 70m end of hole) that require follow-up.

- Geological reconnaissance mapping and sampling at the **Northling copper** project in central Western Australia (Figure 1), discovered undrilled stratabound gossans as well as strongly anomalous copper samples in an area of limited outcrop (Niton XRF results to 0.16% copper) adjacent to the area previously drilled as part of an exploration program targeting diamonds. The previous drilling intersected copper mineralisation grading 4m @ 2.43% copper from 58 – 62m (to the end of hole). Heritage surveys were completed and drilling is planned on grant of tenure.

Figure 1: PacMag's Australian Project Locations

- At the **Corktree joint venture project** (PacMag earning up to 75%) located 24km east southeast of Sandfire Resources NL's Doolgunna project, reconnaissance mapping and sampling discovered a new copper anomalous zone south of previous drilling at the main Corktree grid. The new zone of copper rich gossans and ironstones (Niton XRF results to 0.3% copper) is hosted in carbonate rocks and although poorly exposed can be traced over a strike of 400 metres and a width of 5 to 40m.
- The Company secured the new wholly owned **Mystique gold project**, located in the Fraser Range province, Western Australia. The province contains the recently discovered AngloGold Ashanti - Independence Group Tropicana Gold Project (published resource of 75.3 million tonnes @ 2.07 g/t gold for 5.01 million ounces of gold). The soil anomaly is greater in dimension and tenor than that overlying the Tropicana gold deposit, whilst the previous aircore drilling gold results are of a similar magnitude to those intersected in early reconnaissance aircore drilling programs overlying the main Tropicana gold zones that were only identified by deeper RC and core drilling.

Details of Activities

ANN MASON COPPER PROJECT (NEVADA, USA) – PacMag 100%

The 100% PacMag owned Ann Mason project boasts an inferred mineral resource of 810 million tonnes @ 0.4% copper, 0.004% molybdenum (7.1 billion pounds of contained copper metal) (Figure 2).

Recent developments within the district include:

- A multi-million dollar option deal by TSX listed Entrée Gold Inc to explore for porphyry copper deposits in the Yerington West Project owned by TSX listed Honey Badger Inc located immediately west of PacMag's Ann Mason-Blue Hills project.

- The investment by the Chinese copper mining group Zhongtiaoshan Non-ferrous Metals Group Co. Ltd (ZTS) by way of a convertible debenture of approximately 5% of the capital of TSX listed Nevada Copper Corp, which is evaluating the Pumpkin Hollow copper project located 15km east of PacMag's Ann Mason project.
- TSX listed Quaterra Resources announced its intention to purchase the historic Yerington Mine site and associated infrastructure located immediately east of Ann Mason, the deal is subject to governmental approvals and Quaterra's environmental due diligence.
- Nevada Copper Corp also announced an increased resource for its Pumpkin Hollow project totalling 9.3 billion pounds of copper at a 0.20% cut-off. The resource contains 772 million tonnes (851 million tons) @ 0.56% copper.

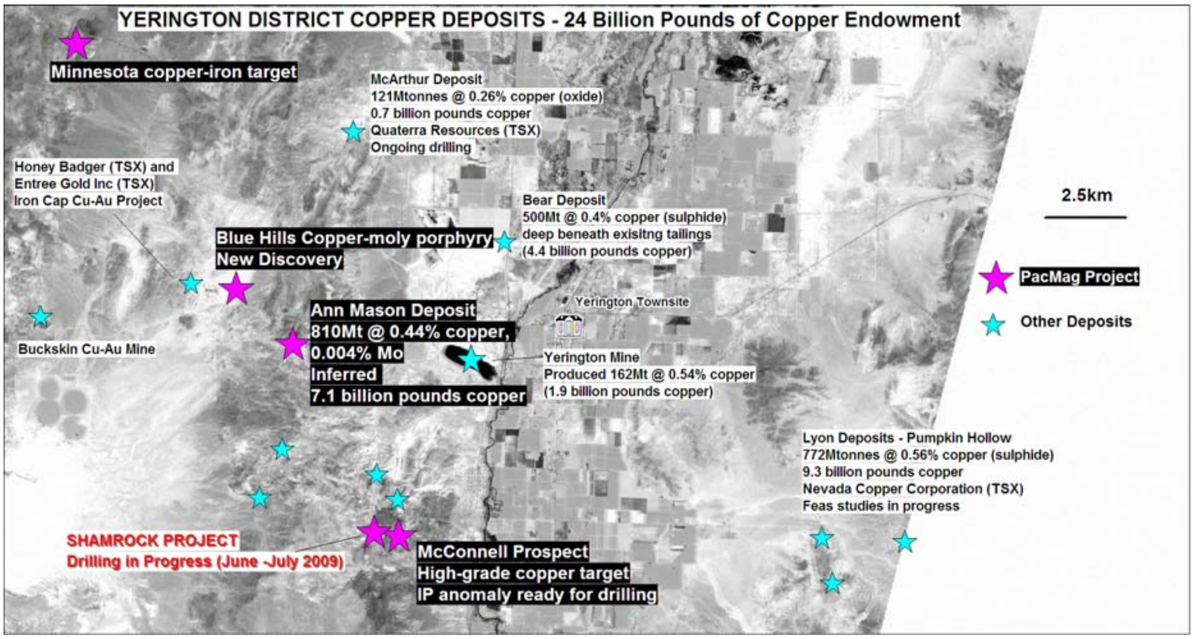


Figure 2: Yerington District – PacMag Projects and Resources

The Company is awaiting approval of the Environmental Assessment (EA) for the Ann Mason project, which was submitted to the Federal Bureau of Land Management (BLM) for expanded exploration activities at the Ann Mason site. A requested additional vegetation survey was completed during the year along with an additional revised format for a section on biology which have now been re-submitted for review.

Blue Hills Copper

The Blue Hills porphyry copper discovery immediately west of Ann Mason contains drill intersections including; 73.2m @ 0.57% copper equivalent and 100.6m @ 0.41% copper equivalent. The size potential of the Blue Hills mineralisation is highlighted by the massive lower-grade mineralised halo that extends from 152m below surface to the end of hole (BH08001) grading 526m at 0.3% copper equivalent (Figure 3).

Copper and molybdenum in both holes is located within disseminated and sheeted vein-style mineralisation hosted within porphyritic quartz monzonite. Mineralisation remains open to the east and south as well as at depth to the north and west.

The alteration and sulphide species logged in each of the Blue Hills holes confirms a large porphyry copper-molybdenum system had been defined, but that neither the core of the system nor its extents have been determined. The Company has not yet ascribed a target size to the discovery, but notes that the known porphyry copper-molybdenum sulphide deposits within the district range in size from 162 to 810 million tonnes.

Three RC pre-collars remain to be extended with diamond drilling, with an initial aim of scoping the size of the mineralised system, drilling is planned following drill testing of the near surface copper oxide target lying above this target.

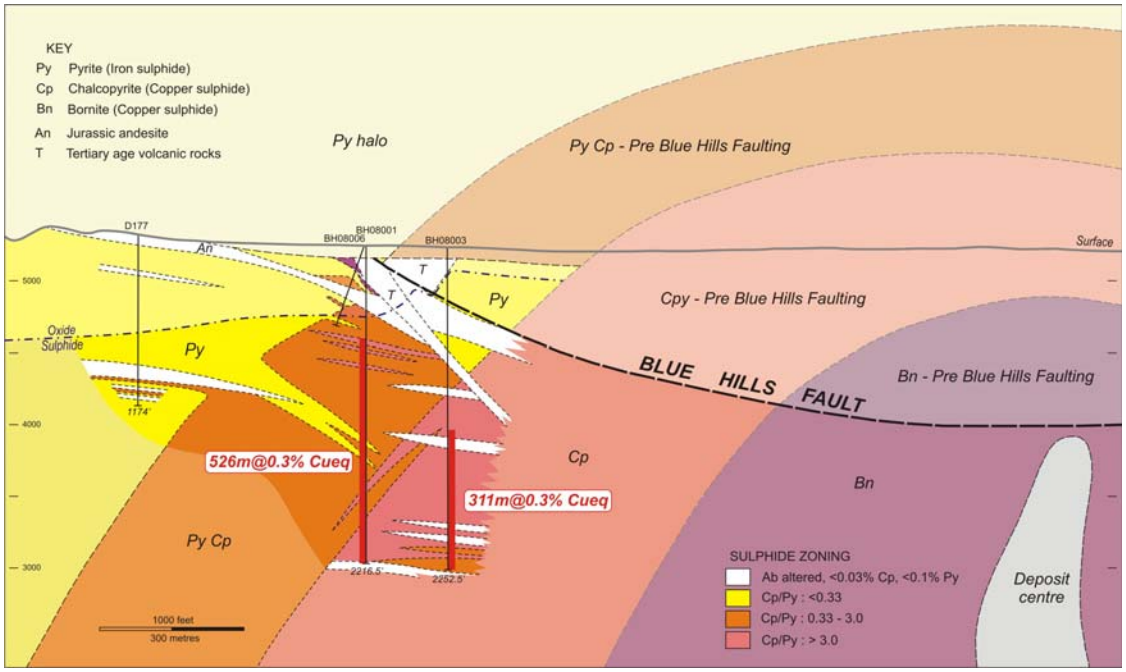


Figure 3: Blue Hills Porphyry Copper Target

Shamrock Copper Prospect

At the Shamrock Project, a high-grade copper project located 5km south east of Ann Mason (Figure 2), historical records show that previous drilling has intersected wide (10-20m) zones of strong copper mineralisation (1-3% copper), located on patented mineral claims.

The company recently completed a 12 hole first pass RC program, testing copper targets over an area of approximately 250m width by 150m of strike. The program has been highly successful in confirming the geology and mineralisation previously intersected by poorly documented limited diamond drilling conducted in the early 1970's. The new drill holes completed by PacMag in the southern, western and eastern edges of the area intersected strong copper oxide mineralisation close to surface, whilst holes drilled in the central northern portion of the program intersected strong to moderate copper sulphide mineralisation. Copper mineralisation remains open along strike to the north.

The results from PacMag drilling are detailed in Table 1 and shown on figures 4 and 5, results include;

- **33.6m @ 1.72% copper from a depth of 15.2m, including 4.1m @ 7.75%copper and 7.1m @ 2.04% copper.**
- **22.4m @ 1.08% copper from a depth of 68m, including 6.1m @ 1.84% copper.**
- **19.3m @ 1.03% copper from a depth of 91m.**
- **12.2 m @ 1.24% copper from a depth of 154m.**
- **9.1m @ 1.23% copper from a depth of 57.9m.**
- **10.2m @ 0.84% copper from a depth of 11.2m.**

Near surface copper mineralisation intersected in hole SH09005 is a particular highlight of the program as mineralisation was not previously identified in this western most fault block, opening up the possibility of significant additional near surface mineralisation being identified in future testing of this block. Of the twelve holes drilled seven intersected significant mineralisation, two (SH09004 and 10) were abandoned after the holes intersected near surface cavities, whilst hole SH09012 was a scout hole drilled 400m north of the main prospect area.

Hole (dip/azimuth)	East (m)	North (m)	From (m)	To (m)	Interval (m)	Copper (%)	Comments
SH09001 (-60/090)	6 759	11 968	57.9	67.1	**9.1**	**1.23**	-
			145.3	146.3	**1**	**2.01**	-
			152.4	171.7	12.2	**1.24**	-
SH09002 (vertical)	6 759	11 965					No significant results
SH09003 (-56/062)	6 760	11 965 Including and	68.0 68.0 75.2 87.4 147.3	90.42 71.1 76.2 90.4 150.4	**22.4** **3.1** **1** **3.1** **3.1**	**1.08** **4.90** **1.2** **2.12** **0.62**	**-**
SH09004 (-70/090)							Hole abandoned after intersecting near surface cavity re-drilled as SH09009
SH09005 (vertical)	6 727	12 031	11.2	21.3	**10.2**	**0.84**	Near surface copper oxide zone in fault block not previously known to contain mineralisation
SH09006 (-75/270)	6 930	11 932 including and	91 92.4 104.6	111 95.4 110.7	**19.3** **3** **6.1**	**1.03** **2.14** **1.84**	**-**
SH09007 (-75/090)	6 939	11 921 including and and	15.2 15.2 35.6 57.9	48.8 19.3 42.7 58.9	**33.6** **4.1** **7.1** **1**	**1.72** **7.75** **2.04** **1.05**	(oxide copper)
SH09008 (-55/090)	6 939	11 921					-
SH09009 (-70/090)	6 774	12 015					-
SH09010 (-60/090)	6 842	11 966	78.2	78.6 (end of hole)	**0.4**	**3.02**	Hole abandoned after intersecting near surface cavity re-drilled as SH090011
SH09011 (-70/090)	6 842	11 966	86.3 103.6	88.4 108.7	**2.0** **5.1**	**3.41** **1.90**	**-**
SH09012 (-80/220)	6 838	12 364					No significant results

All samples as 3 feet (1.02m) RC samples taken as splits from RC cyclone. High-grade zones reported at 1% copper cut-off, with maximum 4m internal waste, lower grade zones at 0.7% copper cut-off, internal waste allowed. Assays by American Assay Laboratory Reno Nevada, ICP, 4 acid digest. QA-QC program included re-samples, repeats, blanks and certified standards. Grid is local grid in metres. Holes SH09001, 3, 6, 9, 11 and 12 downhole surveys via downhole gyroscopic method.

Table 1: Shamrock Project – Significant Drilling Results

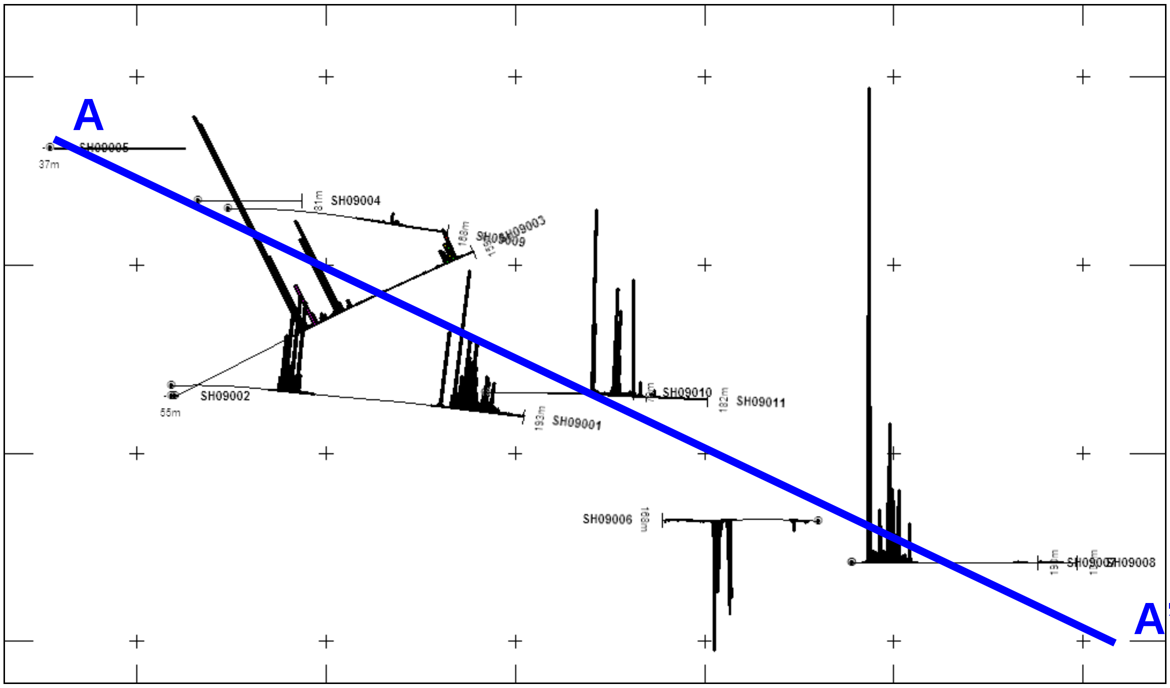


Figure 4: Shamrock drill collar plan with copper histograms in percent, (grid crosses 50m spacing)

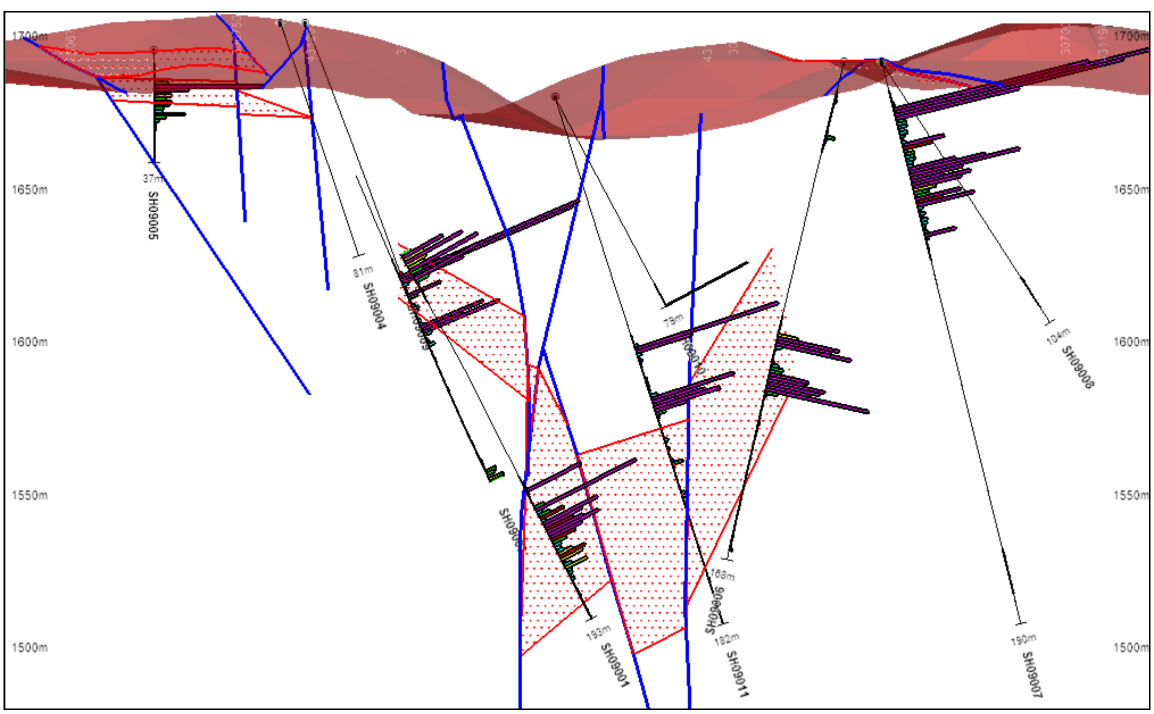


Figure 5: Cross Section A-A' with copper histograms in percent, (blue lines are interpreted faults, red hatch is interpreted skarn zone

SENTINEL URANIUM-GERMANIUM-MOLYBDENUM PROJECT

(NORTH DAKOTA, USA) – PacMag 100%

The Company made major progress at the Sentinel Project, after securing the property last year. The initial focus has been on the Church prospect with successful resource drilling and metallurgical testwork allowing the reporting of an initial resource estimate. The Church Deposit within the Sentinel Project represents only a small portion of the total prospective project area. The Church area was the first of the leases acquired by PacMag in the district and has become a test area to assess the continuity, grade and metallurgical characteristics of the uranium, molybdenum, germanium mineralisation hosted within regionally continuous lignite seams.

An initial insitu Inferred Resource for the Church Deposit, the first area drill tested within the Sentinel Project in North Dakota USA, representing only one fifth of the total prospective project area on PacMag's 100% owned leases is:

Cut-off Grade	Wet Tonnes	Dry Tonnes	U_3O_8 (%)	MoO_3 (%)
50 ppm U_3O_8	3,439,000	2,353,000	0.0165	0.0221
200ppm U_3O_8	841,000	580,000	0.035	0.039

The Company believes that there is considerable upside in both grade and tonnes reported as the initial Resource estimate involved a conservative approach of inserting half below detection grades (0.0005% U_3O_8) for all un-assayed portions of the host lignite unit (601 of 1279 composite samples), resulting in a significant reduction in average resource composite grades (by 46% for uranium). Within the Company's regional landholdings a broader Exploration Target of between 3 to 6 million dry tonnes at grades of 0.05% to 0.1% U_3O_8 and 0.05% to 0.1% MoO_3 (5 – 10 million pounds U_3O_8) is estimated (Figure 6).

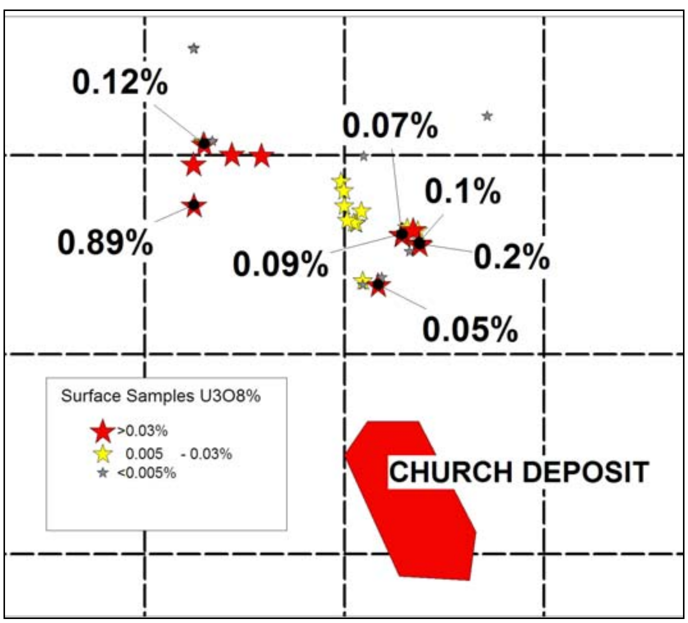


Figure 6: Sentinel Project – Exploration Potential (Stars = Mineralised Surface Samples Located North of the Church Deposit) (grid is 5000 metres, north up page)

The uranium and molybdenum resources and the Exploration Targets are reported in accordance with the JORC code. Upon further analytical check assay work, the germanium Exploration Target may be upgraded to resource status, but until that time the Exploration Targets remain conceptual in nature.

Within the Church resource area only and based on the same drilling and modelling techniques as used for the uranium and molybdenum resource reported above, the Company announced a germanium Exploration Target of:

Cut off Grade	Wet Tonnes	Dry Tonnes	GeO2 (g/t)	Tonnes GeO2 (median values)
25 ppm GeO_2	5.9Mt - 10.9Mt	4.0Mt - 7.5Mt	40 - 70	287
50ppm GeO_2	2.4Mt - 4.3Mt	1.6Mt - 3Mt	50 - 100	171

In addition the Company defined a broader Exploration Target for the Company's total regional landholdings of 6 to 18 million tonnes of germanium rich lignite at grades of 65 to 100 g/t GeO2 (450 – 1350 tonnes GeO_2). Note that the uranium and molybdenum resources and the Exploration Targets are reported in accordance with the JORC code. Upon further analytical check assay work, the germanium Exploration Target may be upgraded to resource status, but until that time the Exploration Targets remain conceptual in nature.

Development of initial process flow-sheets based on recent metallurgical testwork has allowed initial scoping level financial modelling that indicates a conceptual project that is operating cash flow positive under a range of scenarios:

- Capital expenditure range US$63 million (125k tonnes per annum uranium plant only) to US$105 million (250k tonnes per annum plant, uranium, molybdenum, germanium)
- Results for a high-grade case* 250k tonnes per annum throughput, recovering uranium only providing net revenue of US$117/tonne, equal to US$30 million per annum free cash, cash cost of $24/lb U3O8 or ~ 3.5 years payback on capital (*under assumptions detailed in Table 2).

Scenario	Metals recovered	Head grade of feed to mill	Dry tonnes per annum processed	Net revenue per dry tonne after processing *
Case 1a	U	0.05%	250,000	$ 32.00
Case 1b	U	0.10%	250,000	$ 117.00
Case 1c	U, Ge, Mo	0.05%, 80g/t, 0.05%	250,000	$ 9.00
Case 1d	U, Ge, Mo	0.1%,120g/t, 0.1%	250,000	$ 116.00
Case 1e^	U, Ge, Mo	0.196%, 230g/t, 0.16%	250,000	$ 384.00
Case 2a	U	0.05%	125,000	$ (23.00)
Case 2b	U	0.10%	125,000	$ 64.00
Case 2c	U, Ge, Mo	0.05%, 80g/t, 0.05%	125,000	$ (30.00)
Case 2d	U, Ge, Mo	0.1%,120g/t, 0.1%	125,000	$ 79.00
Case 2e^	U, Ge, Mo	0.196%, 230g/t, 0.16%	125,000	$ 355.00

Assumptions: Metal prices:$75/lb uranium ($U_3O_8$), $1000/kg germanium (Ge), $8/lb molybdenum (Mo)
Recoveries from testwork 97% U_3O_8, 70% MoO_3, 66% Ge
* Before amortisation of capital and excluding mining cost of $1.17/bcm wet ore
Moisture content of wet ore 32%, Loss on ignition (LOI) of dried ore 64%
^ Metallurgical sample grades
Capex for 125k t pa plant U $63 million or U, Ge, Mo $75 million (including 20% contingency)
Capex for 250k t pa plant U $91 million or U, Ge, Mo $105 million (including 20% contingency)

Table 2: Church Deposit Conceptual Project Scoping Study Results

The resource drilling has shown that the mineralisation in the district is continuous over mineable widths and lengths. Metallurgical testwork has successfully demonstrated that the dried and calcined mineralisation is amenable to acid and alkaline leaching, with high metal recoveries (97% U_3O_8, 70% MoO_3, 66% Ge). The drying and calcining process beneficiates (upgrades) the mineralisation by an average of 76%, reducing the tonnes of ore to be leached to one fifth from that mined. Furthermore, initial scoping level financial modelling indicates a conceptual project that is operating cash flow positive under a range of development scenarios.

Subsequent to the end of the year the Company also reported success in trailing acid leaching of the raw lignite to test the amenability for extraction of uranium via heap leaching. Initial testwork proved very positive returning near 100% recovery and further testwork is underway to verify the initial test. The scoping study also assessed the for a potential heap-leach operation indicating a very modest US$20 million capital requirement.

In addition to the heap-leach assessment of the Church deposit future activities will now focus on the Company's surrounding land holdings, where numerous high-grade surface samples have indicated strong potential for additional resources to be defined in the district.

The Company is looking to secure a development partner by the end of the calendar year to accelerate the assessment of the Sentinel project.

BLUE ROSE JOINT VENTURE (SOUTH AUSTRALIA) – PacMag 51%

The Blue Rose copper oxide deposit (Figure 7) contains intersections such as: 46 m @ 2.2% copper and 0.8 g/t gold from 11 m depth, (including 28 m @ 3.0% copper and 0.8 g/t gold) refer to Figure 7. Preliminary metallurgical testwork indicates the copper oxide mineralisation is amenable to conventional acid leaching. Beneath the oxide zones drilling has intersected copper-gold-molybdenum sulphide mineralisation, which is open to extension along strike.

Discussions with external parties interested in progressing development of the copper-oxide mineralisation at Blue Rose.

The joint venture remains committed to the district and will continue to focus on the large highly prospective exploration acreage.

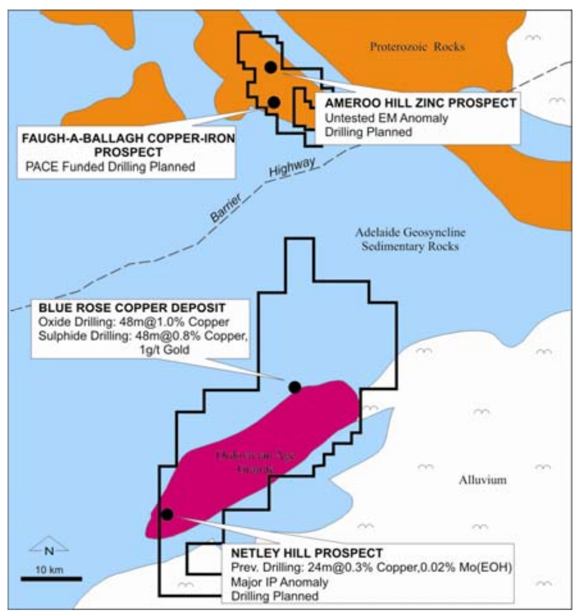


Figure 7: Prospect Locations - Blue Rose Joint Venture Project

A review of limited previous shallow drilling at the Golden Sophia Prospect Blue Rose joint venture on two traverses over the central portion of a strong soil anomaly, showed that near surface, widespread, thick zones of gold mineralization, in fine to medium grained micaceous sandstones are associated with disseminated pyrite and minor quartz veining. Drilling results include; 60m @ 0.58g/t gold (10 – 70m end of hole) including 6m @ 1.07g/t gold and 2m @ 8.4g/t gold and 30m @ 0.61g/t gold (2 – 32m), including 5m @ 1.3 g/t gold. Continuous mineralisation has been defined by two 80m spaced drill traverses over a width of approximately 100m, however, mineralisation remains open along strike to the east and west, whilst drill results are anomalous in the northern most holes.

At Netley Hill the Company defined a major new copper-molybdenum target associated with a large geophysical anomaly, surface alteration and strong copper and molybdenum results from previous shallow percussion drilling. Drilling of three diamond core holes at Netley Hill discovered a new, thick, near-surface zone of molybdenum mineralisation with results including; 40 m @ 0.05% molybdenum.

MYSTIQUE GOLD PROJECT JOINT VENTURE (WESTERN AUSTRALIA) – PacMag 100% diluting

The Mystique joint venture project is located in the Fraser Range province, Western Australia. The province contains the recently discovered AngloGold Ashanti - Independence Group Tropicana Gold Project (5.01 million ounces of gold) as well as numerous high-quality exploration projects that are being advanced by companies such as Dominion Mining Limited and Newmont-Sipa Resources (Figure 8).

Post the end of the year the Company attracted a technically strong partner in Black Fire Energy Ltd, to advance the Mystique gold project. Black Fire may earn an initial 60% equity in Mystique by spending $1 million on exploration within 3 years, and 75% interest through total expenditure of $2.5 million in 5 years, with a minimum expenditure commitment of $250,000 before withdrawal.

The project contains a major gold soil geochemical anomaly (4 km x 2 km at greater than 10 ppb gold) with results up to 0.6 g/t gold. The soil anomaly has been followed up by previous workers with aircore drilling to refusal on 200m x 100m centres.

Based on a comprehensive review of the previous results by PacMag geologists the previous drilling is interpreted as two discrete zones of gold mineralisation; a 3km x 1km blanket style zone with greater than 0.1 g/t gold in a transported cover sequence, and a second zone measuring 1.3km x 0.5km that contains multiple bedrock gold intersections. Best results to date include such as 3m @ 2.9 g/t gold and 3m @ 0.97 g/t gold.

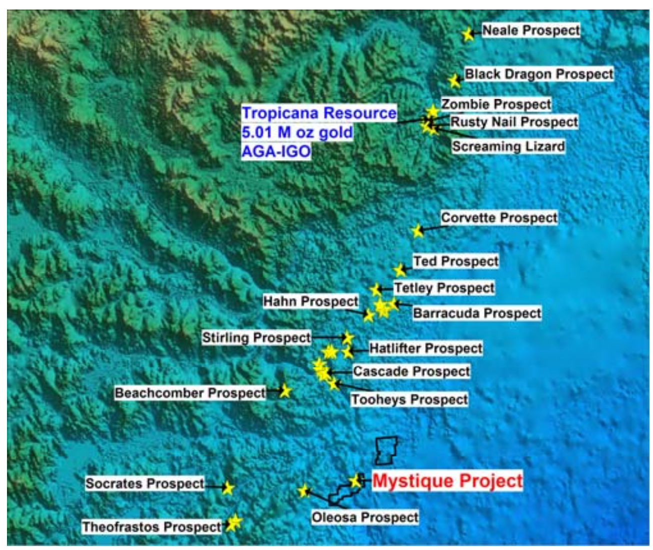
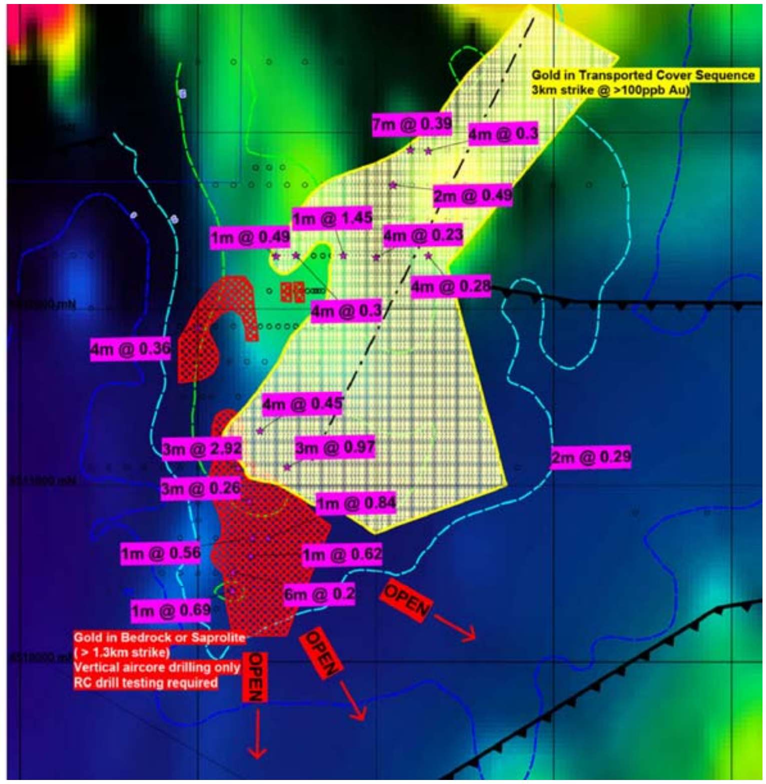


Figure 8: Mystique Project Location - Regional Gold Prospects (various companies) on Digital Terrain Model

The soil anomaly is greater in dimension and tenor than that overlying the Tropicana gold deposit, whilst the aircore drilling gold results are of a similar magnitude to those intersected in early reconnaissance aircore drilling programs overlying the main Tropicana gold zones that were only identified by deeper RC and core drilling (Figure 9).

The zone of bedrock gold mineralisation at Mystique remains open to the south and has not yet been followed up by deeper RC drill testing. Furthermore, there are large untested gold in soil anomalies to the south of the area drilled, that have been identified by broad spaced soil sampling that are an immediate aircore drill target.

Within the large landholding (434 km^2) there are numerous additional strong gold soil anomalies identified in regional geochemical sampling (up to 20 ppb gold), that are located within a large fault zone that is demagnetised. The strong gold anomalies within the major fault zone are indicative of large mineralising systems and are a high priority follow-up target.



3m @ 2.92 = 3 metres at 2.92 g/t gold

Figure 9: Mystique Drill Target (red hatch) with significant gold results.

Although significant work has been completed on the project to date it is at a prime evaluation stage with clearly defined “walk-up” RC drill targets and large high-tenor untested gold in soil geochemical anomalies. Drill testing and infill geochemical sampling are planned following the grant of the tenure which is anticipated later this year.

NEW PROJECTS UNDER REVIEW

The Company is continuing to assess international resource opportunities focusing on copper and gold, particularly in the USA where PacMag has an established presence and a competitive advantage in acquisitions as well as in Asia where PacMag personnel have previous exploration and operational experience.

Competent Person Statements

The information in this ASX Release that relates to the Sentinel Project Exploration Results, Minerals Resources or Ore Reserves, as those terms are defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve", is based on information compiled by Mr Michael Clifford and Mr J Guilinger.

Mr Clifford is a Member of the Australian Institute of Geoscientists and a full time employee of the Company, whilst Mr J Guilinger is a Registered Member (RM) with the Society of Mining Engineers (SME) and a Qualified Person (QP) with the Mining and Metallurgical Society of America (MMSA), and a consultant to the Company. Mr Guilinger has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve". Mr Clifford and Mr Guilinger consent to the inclusion in this ASX Release of the matters based on their information in the form and context in which it appears.

The information in this ASX Release that relates to (projects other than Sentinel) Exploration Results, Minerals Resources or Ore Reserves, as those terms are defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve", is based on information compiled by Mr Michael Clifford, who is a full time employee of the Company and a Member of the Australian Institute of Geoscientists. Mr Michael Clifford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve". Mr Michael Clifford consents to the inclusion in this ASX Release of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors present their report, together with the financial report of PacMag Metals Limited ("the Company") and its controlled entities for the period ended 30 June 2009, and the auditors' report thereon.

1. DIRECTORS

The names of the directors of the Company during or since the end of the financial year are:

Rodney Michael Joyce – Chairman
Appointed to the Board of Directors 18 November 2005

Michael Joseph Clifford – Managing Director (CEO)
Appointed to the Board of Directors 18 November 2005

Emmanuel Althaus – Non Executive Director
Appointed to the Board of Directors 5 October 1994

2. COMPANY SECRETARY (CFO)

Mr Bruce Acutt was appointed to the position of Company Secretary on 18 November 2005. Mr Acutt trained and worked as an accountant with major accounting firms in the audit and resources sector. He has been associated with the mining and exploration sector for over twenty years.

Mr Acutt is currently Company Secretary for Giralia Resources NL, Zinc Co Australia Limited, The Gold Company Limited and Convergent Minerals Limited.

Ms Melinda Nelmes was appointed to the position of Joint Company Secretary on 4 July 2007.

Melinda Nelmes is a Chartered Accountant with 18 years experience. Prior to PacMag Metals Limited, she was a Financial Group Accountant in the financial services sector for two and a half years. Her other experience was gained from working in Chartered Accounting firms, including a major accounting firm, Deloitte, in the audit and corporate services sector, gaining experience in various sectors including the mining and resource sector.

3. DIRECTORS' MEETINGS

The number of Directors' meetings (including meeting of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	MEETINGS		CIRCULAR RESOLUTIONS IN WRITING		COMMITTEE MATTERS COVERED AT MEETINGS OF DIRECTORS		
	A	B	A	B	AUDIT MATTERS	REMUNERATION MATTERS	NOMINATION MATTERS
Mr R M Joyce	3	3	8	8	6	3	3
Mr M J Clifford	3	3	8	8	6	3	3
Mr E Althaus	3	3	8	8	6	3	3

A = Number of meeting attended

B = Number of meetings held during the time the Director held office during the year

4. PRINCIPAL ACTIVITIES

The principal activity of the Company and its controlled entities during the course of the financial year was mineral exploration.

The Company is evaluating the Ann Mason, Sentinel and Blue Rose projects and is seeking resource opportunities in Australia and internationally.

There was no significant change in the nature of the activity of the consolidated entity during the year.

DIRECTORS' REPORT (cont'd)

5. OPERATING & FINANCIAL REVIEW

Overview

During the year, PacMag Metals Limited continued its mineral exploration activities in Australia and the USA. The Company undertook extensive exploration activities at its Ann Mason deposit (810 million tonnes @ 0.4% copper, 0.004% molybdenum) located in Nevada USA, containing 7.1 billion pounds of copper metal as well as at the Sentinel uranium-molybdenum-germanium project in North Dakota, USA.

Objectives

The Company's objectives are to pursue advanced opportunities in exploration and mining for minerals in Australia, Asia and the USA in areas which are highly prospective for minerals.

Strategies for achieving objectives:

The Company is focusing on the Ann Mason project and regional prospects (such as the Shamrock high-grade copper project) that have synergy with any potential development at Ann Mason, such as at the nearby Blue Hills project where the Company discovered a new porphyry copper-molybdenum deposit with a substantial near surface oxide target, whilst the new Sentinel uranium-molybdenum-germanium project provides a near-term development opportunity and exposure to the uranium market.

The Company continues to assess new resource opportunities in Australia, Asia and the USA, where PacMag has either an established presence or a competitive advantage in acquisitions. During the year the Company secured two new projects in Western Australia; the Mystique Gold Project in the Fraser Range Province and the Northling copper project in central Western Australia.

Financial Results

The net consolidated profit/(loss) for the financial period ended 30 June 2009 attributable to members of PacMag Metals Limited after income tax was $(1,620,595) (2008: $(1,349,268)).

Shareholder Returns	**2009 $**	**2008 $**
Net profit/ (loss) attributable to members of PacMag Metals Limited	(1,620,595)	(1,349,268)
Basic EPS (loss) (cents per share)	(1.12)	(0.98)
Dividends Paid	$nil	$nil
Dividends per share	$nil	$nil

No dividends were paid during the financial year ended 30 June 2009 and no dividend is recommended for the current year.

Review of financial condition

The Company received $163,178 in proceeds during the year from the sale of available for sale assets.

Legislative Requirements

The Company is subject to various legislative and other external requirements, such as Native Title, Environmental Laws, Occupational Health and Safety Laws, Stock Exchange Rules, Corporation Laws and Mines Department Laws.

DIRECTORS' REPORT (cont'd)

Significant changes in the state of affairs

Significant changes in the state of affairs of PacMag Metals Limited during the financial year ended 30 June 2009 were as follows:

(a)

- Received interest income from deposits and short term bank bills totalling $200,103.
- PacMag retains a share holding in Peninsula Minerals Limited (PEN) of 37,650,000 .
- Received $163,178 as proceeds from the sale of available-for-sale assets.

(b) Net cash received from the sale of available-for-sale assets was used for mineral exploration activities in Australia and the USA.

6. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30 June 2009, PacMag Metals Limited has sold 5,000,000 shares in Peninsula Minerals Limited, generating proceeds of $242,161.

Mystique Gold Project, Western Australia is to be advanced via a joint venture agreement entered with Black Fire Gold Pty Ltd. Black Fire Gold Pty Ltd may earn an initial 60% equity in Mystique by spending $1 million on exploration within 3 years, and 75% interest through total expenditure of $2.5 million in 5 years, with a minimum expenditure commitment of $250,000 before withdrawal. The consolidated entity received $25,000 as a partial refund of Mystique Gold Project tenement acquisition costs.

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

7. LIKELY DEVELOPMENTS

The Company will continue to pursue its policy of acquiring and testing mineral properties with a view to developing properties capable of economic mineral production.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

8. ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulation in relation to its exploration activities and aims to ensure that it complies with all relevant environmental legislation. The Directors are not aware of any significant breaches during the period covered by this report.

9. DIVIDENDS

No dividends paid or declared during the year and the directors do not recommend the payment of a dividend.

DIRECTORS' REPORT (cont'd)

10. INFORMATION ON DIRECTORS

Rodney Michael Joyce – Non-Executive Chairman – (Non-Independent)

Experience and expertise

Mr Joyce is a geologist with over 29 years experience in mineral exploration. He graduated from Melbourne's Monash University in 1979 with a BSc (Hons) degree in geology and holds an MSc in Mineral Exploration from the Royal School of Mines at the University of London.

Mr Joyce is the Managing Director of Giralia Resources NL. Prior to joining Giralia in 1998, Mr Joyce led the gold exploration team at Aberfoyle Resources Ltd, which discovered the Carosue Dam and Davyhurst deposits in Western Australia.

Other current directorships
Giralia Resources NL
Zinc Co Australia Limited

Former directorships in last 3 years
Nil

Special responsibilities
Chairman of the Board.

Interests in shares and options

554,783	ordinary fully paid shares
1,000,000	25.2 cent options, expiring 16 June 2011

Michael Clifford – Managing Director (Non-Independent)

Experience and expertise

Mr Clifford holds a BSc(Hons) from James Cook University, as well as an MSc in Mining and Exploration. He was previously Exploration Manager Australia for AngloGold Ashanti Limited, where teams under his leadership were successful in the discovery of the Sickle and Tropicana gold deposits in Western Australia.

Mr Clifford is a geologist with over 22 years experience in the exploration and mining industry.

Other current directorships
Nil

Former directorships in last 3 years
Nil

Special responsibilities
Managing Director.

Interests in shares and options

900,218	fully paid shares
1,000,000	15.2 cent options, expiring 17 November 2010
1,000,000	20.2 cent options, expiring 17 November 2010
1,500,000	25.2 cent options, expiring 16 June 2011

DIRECTORS' REPORT (cont'd)

Emmanuel Althaus – Non-Executive Director (Independent)

Experience and expertise

Mr Althaus has been active in mining and commercial ventures for over 36 years.

Other current directorships
Nil

Former directorships in last 3 years
Nil

Special responsibilities
Corporate expertise.

Interests in shares and options
5,792,745 fully paid ordinary shares

11. REMUNERATION REPORT

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

Remuneration levels for Directors and Executives of the entity are competitively set to attract and retain appropriately qualified and experienced Directors and Executives.

The objective of the Consolidated Entity's reward framework is to ensure reward for performance is competitive and appropriate. The framework is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The Board ensures that remuneration satisfies the following criteria for good reward governance practices:

- competitiveness and reasonableness, by ensuring the general level of compensation and benefits is comparable to that for persons holding similar positions in the mining industry in Australia;
- acceptability to shareholders
- rewards the performance of the executive against agreed key performance indicators covering both financial and non-financial measures of performance
- transparency
- attracts and retains high calibre executives
- rewards capability and experience
- other such factors as the Board considers relevant.

Remuneration of Directors and Executive are determined by the Board. In this respect consideration is given to normal commercial rates of remuneration for similar levels of responsibility. Where necessary, the Board obtains independent advice on the appropriateness of remuneration packages. The Consolidated Entity's has structured a reward framework that is market competitive and complimentary to the objectives of the organisations compensation strategy. The Corporate Governance Statement provides further information on the role of a remuneration committee.

Remuneration packages include a mix of fixed remuneration and long-term performance-based incentives. Fixed remuneration consists of base remuneration and statutory superannuation entitlements.

DIRECTORS' REPORT (cont'd)

Performance linked remuneration includes long term incentives in the form of options over ordinary shares of PacMag Metals Limited. Performance based remuneration is not based on specific financial indicators such as earnings or dividends as the Consolidated entity and Company is at exploration stage and during this period is expected to incur operating losses. There is no separate profit share plan.

Remuneration of Non-Executive Directors and Executive comprise fees, and has regard to industry practice and the need to obtain appropriately qualified, independent persons. Fees may contain non-monetary elements. Non-Executive Directors received options in securities.

The Directors and Executive did not receive any performance related remuneration during the financial year ended 30 June 2009. The current base remuneration was last reviewed with effect from 1 January 2009.

The Chairman and Non-Executive Director's base fees are presently at $30,000 per annum per Non-Executive, effective from 1 January 2008. This was reviewed with effect from January 2009, with no increase from $30,000 per annum. Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate directors' fee pool limit currently stands at $100,000 per annum for Non-Executives and Chairman, as approved in 1995. Director fees cover all Board Activities.

Executive pay

No executive has any direct incentive component of cash salary. The Executive pay and reward framework has 3 components:

- Base pay;
- Long-term incentives through participation in the PacMag Metals Limited Employee Incentive Scheme, and
- Superannuation at the statutory rate.

The combination of these comprises the executive's total remuneration. Whilst the overall level of executive reward takes into account the performance of the consolidated entity over a number of years, there are no pre-determined measures within the exploration industry which directly link the executive compensation to either the earnings of the Company or to the growth of shareholder wealth.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a mix of cash and other benefits (including non-financial) at the executives' discretion. Base pay is based upon data available to the Board to reflect the market for a comparable role. It is reviewed annually to ensure the executive's pay is competitive with the market. The current base remuneration was last reviewed with effect from 1 January 2009.

Superannuation

Superannuation contributions required under the Australian superannuation guarantee legislation are made on behalf of the Executive.

Long term incentives

Long-term incentives are provided as options over ordinary shares through participation in the PacMag Metals Limited Employee Option Plan. All options provided to directors are only allocated following shareholder approval.

DIRECTORS' REPORT (cont'd)

The following table discloses the remuneration of the directors, key management personnel (as defined in AASB 124 Related Party Disclosures) of the Consolidated Entity and specified executives of the Consolidated Entity.

The key management personnel of PacMag Metals Limited include the directors (refer point 10 above), and the following executive officers, who are also the five highest remunerated Consolidated Entity and/or Company executives:

	Short-term benefits			Post employment	Long term benefits		Share based payments			
	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Termination benefits	Options $	TOTAL $	SD300A(1)(e)(i) proportion of remuneration performance based %	S300A(1)(e)(vi) Value of options as proportion of remuneration %
2009										
Non-executive directors										
R M Joyce(Chairman)	30,000	-	-	-	-	-	-	30,000	-	-
E Althaus	30,000	-	-	-	-	-	-	30,000	-	-
Total Non-executive Directors	60,000	-	-	-	-	-	-	60,000	-	-
Executive director										
M J Clifford	233,940	-	-	21,060	605	-	-	255,605	-	-
Other Key Management Personnel										
B R Acutt	-	-	-	-	-	-	-	-	-	-
M J Nelmes	-	-	-	-	-	-	-	-	-	-
Total Key Management Personnel compensation:	293,940	-	-	21,060	605	-	-	315,605	-	-

DIRECTORS' REPORT (cont'd)

	Short-term benefits			Post employment	Long term benefits		Share based payments			
	Cash salary & fees $	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Long service leave $**	**Termination benefits $**	**Options $**	**TOTAL $**	**SD300A(1)(e)(i) proportion of remuneration performance based %**	**S300A(1)(e)(vi) Value of options as proportion of remuneration %**
2008										
Non-executive directors										
R M Joyce(Chairman)	27,500	-	-	-	-	-	-	27,500	-	-
E Althaus	27,500	-	-	-	-	-	-	27,500	-	-
Total Non-executive Directors	55,000	-	-	-	-	-	-	55,000	-	-
Executive director										
M J Clifford	220,182	-	-	19,818	686	-	-	240,686	-	-
Other Key Management Personnel										
B R Acutt	-	-	-	-	-		-	-	-	-
M J Nelmes	-	-	-	-	-		-	-	-	-
Total Key Management Personnel compensation:	275,182	-	-	19,818	686	-	-	295,686	-	-

Directors' interests in contracts with the Consolidated Entity are disclosed in Note 23.

DIRECTORS' REPORT (cont'd)

C. Service agreements

On appointment to the Board, all non executive directors enter into a service agreement in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director (Chief Executive Officer) and other key management personnel are also formalised in service agreements. Each of these agreements provide for participation, when eligible, in the PacMag Metals Limited Employee Option Plan. Other major provisions of the agreements relation to remuneration are set out below.

All contracts with executives may be terminated early by either party with three months notice, subject to termination payments as detailed below. The key management personnel are entitled to receive on termination of employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

M J Clifford, *Managing Director*

- Annually renewable contract.
- Base salary package of $255,000, inclusive of mandatory superannuation contributions for the year ended 30 June 2009.
- Either party is entitled to terminate the agreement by giving three months notice.

R M Joyce, *Chairman*

- Annually renewable contract.
- Base salary of $30,000, inclusive of superannuation for the year ended 30 June 2009.

E Althaus, *Non-executive Director*

- Annually renewable contract.
- Base salary of $30,000, inclusive of superannuation for the year ended 30 June 2009.

B R Acutt and M J Nelmes, Joint Company Secretaries

- Effective 1 April 2006, PacMag Metals Limited commenced a service agreement with Giralia Resources NL, a director related entity with Mr Rodney Michael Joyce. The following services are provided by Giralia Resources NL:
  a) accounting and secretarial services;
  b) provision of fully furnished and equipped offices; and
- Giralia Resources NL is remunerated by PacMag Metals Limited on the basis of a service fee of $8,000 per month to cover the above costs.

D. Share-based compensation

2009:
No options were granted during the 2009 financial year.

2008:
No options were granted during the 2008 financial year.

DIRECTORS' REPORT (cont'd)

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

Options were granted and were approved by shareholders resolutions dated 17 November 2005 and 16 June 2006.

The Board may offer free options to persons ("Eligible Persons") who are:

(i) full time or part time employees or contractors (including a person engaged by the Company under a consultancy agreement); or

(ii) Directors of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

No of options	Grant date	Expiry date	Exercise price	Value per option at grant date	Date vested and exercisable	% Vested	Price of share at Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
1,000,000	17/11/2005	17/11/2010	15.2 cents	$0.0807	30/06/2006	100%	$0.12	75%	5.4%	-
1,000,000	17/11/2005	17/11/2010	20.2 cents	$0.0775	30/06/2006	100%	$0.12	75%	5.4%	-
3,500,000	16/06/2006	16/06/2011	25.2 cents	$0.2257	30/06/2006	100%	$0.30	75%	5.4%	-

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within fourteen days after the receipt of a properly executed notice of exercise and application monies. The Company will issue to the option holder, the number of shares specified in that notice. The Company will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

Options may not be transferred other than to an associate of the holder.

DIRECTORS' REPORT (cont'd)

Details of options over ordinary shares in the company provided as remuneration to each director of PacMag Metals Limited and each of the key management personnel of the parent entity and group are set out below. When exercisable, each option is convertible into one ordinary share of PacMag Metals Limited.

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
Directors of PacMag Metals Limited				
R M Joyce	-	-	-	-
M J Clifford	-	-	-	-
E Althaus	-	-	-	-
Other key management personnel compensation				
B R Acutt	-	-	-	-
M J Nelmes	-	-	-	-

No options have been granted since the end of the financial year.

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of PacMag Metals Limited and other key management personnel of the Group during the 2009 financial year (2008: Nil).

There are no amounts unpaid on the shares issued as a result of the exercise of the options in 2009 or 2008.

E. Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance.

The overall level of executive reward takes into account the performance of the Company over the year, with greater emphasis given to the current year.

Whilst the overall level of executive reward takes into account the performance of the consolidated entity over a number of years, there are no pre-determined measures within the exploration industry which directly link the executive compensation to either the earnings of the Company or to the growth of shareholder wealth.

Share-based compensation: Options

Name	A Remuneration consisting of options %	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
2009				
R M Joyce	-	-	-	-
M J Clifford	-	-	-	-
E Althaus	-	-	-	-
B R Acutt	-	-	-	-
M J Nelmes	-	-	-	-

DIRECTORS' REPORT (cont'd)

Share-based compensation: Options (cont'd)

Name	A Remuneration consisting of options %	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
2008				
R M Joyce	-	-	-	-
M J Clifford	-	-	-	-
E Althaus	-	-	-	-
B R Acutt	-	-	-	-
M J Nelmes	-	-	-	-

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

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

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

12. LOANS TO DIRECTORS AND EXECUTIVES

There were no loans to directors or executives.

13. SHARE OPTIONS

Share options granted to directors and the most highly remunerated officers

No options over un-issued ordinary shares of PacMag Metals Limited were granted during or since the end of the financial year to the five most highly remunerated officers of the Company as part of their remuneration.

Unissued Shares under option

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

Expiry date	Issue price of shares	Number under option
29 December 2012	$1.102	1,291,585
30 June 2011	$0.30	2,083,336
17 November 2010	$0.152	1,000,000
17 November 2010	$0.202	1,000,000
16 June 2011	$0.252	3,500,000

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

DIRECTORS' REPORT (cont'd)

2009:

Nil.

2008:

On 5 October 2007, 2,083,336 unlisted options exercisable at 30 cents each by 30 June 2011 were issued, as a replacement for the cancellation of 2,083,336 partly paid shares as approved by shareholders on 28 May 2007.

On 31 March 2008, 1,080,823 options (PMHOA) at $0.082 expired.

Shares issued on the exercise of options

During or since the end of the financial year, PacMag Metals Limited issued ordinary shares as a result of the exercise of options granted by PacMag Metals Limited as follows (there were no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
-	-

14. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Fully Paid Ordinary shares		Options	
	Number Directly Held	Number Beneficially Held	Number Directly Held	Number Beneficially Held
R M Joyce	-	554,783	-	1,000,000
M J Clifford	-	900,218	-	3,500,000
E Althaus	-	5,792,745	-	-

15. INSURANCE OF OFFICERS

During the financial year, PacMag Metals Limited paid a premium of $12,541 to insure the directors and secretaries of the Company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers of the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

DIRECTORS' REPORT (cont'd)

16. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

17. NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PKF Chartered Accountants) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

		Consolidated	
		2009	**2008**
1.	**Audit services**		
	PKF Chartered Accountants		
	Audit and review of financial reports and other audit work under the Corporations Act 2001	39,285	40,767
	Total remuneration for audit services	39,285	40,767
2.	**Non audit services**		
	Taxation services	-	2,270
	Total remuneration for non audit services	-	2,270

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 41.

DIRECTORS' REPORT (cont'd)

18. AUDITOR

PKF Chartered Accountants continue in office, in accordance with section 327 of the Corporations Act 2001.

19. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the August 2007 ASX Principles of Good Governance and Best Practice Recommendations, unless otherwise stated.

PRINCIPLES OF BEST PRACTICE RECOMMENDATIONS

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of Board and Responsibilities
ASX CGC Recommendation 1.1, 1.2, 1.3
The Board of Directors of PacMag Metals Limited is responsible for the corporate governance of the entity. The Board monitors the business and affairs of the entity on behalf of the shareholders by whom they are elected, and to whom they are accountable. The relationship between the Board and senior management is critical to the entity's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and longer term, and seek to balance sometimes competing objectives in the best interests of the Company. Their focus is to enhance the interests of shareholders and other key stakeholders, and to ensure the Company is properly managed.

The Board operates in accordance with the broad principles set out in its charter, which details the Boards role and responsibilities. The Board Charter is available from the corporate governance information section of the Company website at www.pacmag.com.au.

The responsibilities of the Board include:

- providing strategic guidance to the Company, including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans, including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
  - organisational performance and the achievement of the Company's strategic goals and objectives;
  - compliance with the Company's Code of Conduct, as set out at the end of this report;
  - progress of major capital expenditures and other significant corporate projects, including any acquisitions or divestments;
- monitoring financial performance, including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary;
- ensuring there are effective management processes in place, and approving major corporate initiatives;

- conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- enhancing and protecting the reputation of the organisation; and
- reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance.

The Managing Director is accountable to the Board for the day to day management of the Company, with authority levels approved by the Board, and is subject to the supervision of the Board.

The performance of all directors is reviewed by the Chairman each year. Directors whose performance is unsatisfactory are to be asked to retire. A performance assessment for senior executives last took place in January 2009, in accordance with the process described on the Company's website.

Each director has the right to seek independent advice at the Company's expense, however prior approval by the Chairman is required, which will not be unreasonably withheld.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE
ASX CGC Recommendations 2.1, 2.2, 2.3, 2.5
The Board operates in accordance with the broad principles outlined in its charter, which is available from the corporate governance information on the Company's website at www.pacmag.com.au . The charter details the Board's composition, roles and responsibilities.

Composition and functions of the Board
The composition of the Board is determined in accordance with the following principles and guidelines, as outlined in the charter:

- The Board is to comprise both executive and non-executive directors with a majority of non-executive directors.
- The majority of the Board must be independent of management. All directors are required to exercise independent judgment and review.
- The Chairperson must be a non-executive director who is elected by the full Board.
- The Chairperson is required to meet regularly with the Managing Director.
- Directors may bring characteristics which allow a mix of qualifications, skill and experience.
- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company, and directors with an external or fresh perspective of strategic, risk and performance matters; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

The Board reviews its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience to adequately discharge its responsibilities and duties. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Details of members of the Board, their experience, expertise, qualifications, term of office relationships affecting their independence and independent status are set out in the Directors' Report under the heading "Information on Directors". There are two non-executive directors who of which only one is deemed independent under the principles set out below, at the date of signing the Directors' Report.

Term of office
The Company's Constitution specifies that any director other than the Managing Director must retire from office no later than the third annual general meeting (AGM) following their last election.

Directors' independence
ASX CGC Recommendation 2.1, 2.6
The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- not have been employed in an executive capacity by the Company and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- not have been a principal of a material professional advisor or a material consultant to the Company or an employee materially associated with the service provided within the last three years;
- not be a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- must have no material contractual relationship with the Company or another Group member, other than as a director of the Company;
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 10% of the current year operating result of the Company or 10% of the pro forma net asset is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material of knowledge of it may impact the shareholders' understanding of the director's performance.

The Board assesses independence each year. Directors must provide all information that may be relevant to this assessment. There is one non-executive director who is not deemed independent at the date of signing the Directors' Report, as outlined in the Directors' Report under the heading "Information on Directors". Mr R M Joyce is not an independent director as he is an officer of a company that is a substantial shareholder of the Company. Mr E Althaus, a non-executive director, is considered independent as he has been a non-executive director on the Board for three and a half years, which is three and a half years from ceasing to be employed by the Company in an executive capacity. Directors of the Board are entitled to the right to have adequate access at all times, in appropriate circumstances, to independent professional advice that will facilitate independent judgement in board decisions at the expense of the Company.

Conflict of interests
Mr R M Joyce had joint venture dealings through the Blue Rose and Corktree JV in South Australia.

DIRECTORS' REPORT (cont'd)

Entities connected with Mr E Althaus had business dealings with the entity during the year, as described in note 24 to the financial statements. In accordance with the Board charter, the director concerned declared his interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions.

Performance assessment

ASX CGC Recommendation 2.5

The Board reviews the remuneration packages and policies applicable to executive directors, senior executives and non-executive directors on an annual basis. Remuneration levels are competitively set to attract qualified and experienced directors and senior executives. Where necessary, the Board obtains independent advice on the appropriateness of remuneration packages and provides employment contracts to employees.

The Chairman undertakes an annual assessment of the performance of the Board, its committees and individual directors. The Board undertakes an annual assessment of its overall performance of the Chair. Descriptions of the process for performance assessment for the Board and senior executives are available on the Company website at www.pacmag.com.au. Annual assessment considers continuing education, access to information, induction and its adequacy and support provided by the Company Secretary.

Nomination Committee Matters are discussed at Board Meetings annually or at more frequent intervals if circumstances dictate a material change in the status of the Directors ability to perform their duties. The terms and conditions of appointment and retirement of Non Executive Directors are set out in a letter of appointment.

The Chairman undertakes an annual review of the CEO's performance.

Chairperson and Chief Executive Officer (CEO)

ASX CGC Recommendations 2.2, 2.3

The Chairperson 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 the Company's senior executives.

Mr Rodney Michael Joyce, a non executive director, was appointed Chairperson by the board on 1st January 2006.

The CEO is responsible for implementing the Company's strategies and policies. The role of the Chairperson and CEO are separate roles, to be undertaken by separate people.

The roles of the Chairperson and the Chief Executive Officer are exercised by Mr R M Joyce and Mr M J Clifford respectively.

The Chairperson's responsibilities are set out in the Board Charter, which is available from the corporate governance information section of the Company website at www.pacmag.com.au.

Induction

Induction provided to new directors and senior managers enables them to be able to participate in Board decision making as soon as practicable. The induction process ensures all new directors and senior managers have a full understanding of:

- the Company's financial position, strategies, operations and risk management policies.
- respective rights, duties, responsibilities and roles of the Board and Senior Executives

DIRECTORS' REPORT (cont'd)

Commitment
The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2009, and the number of meetings attended by each director is disclosed in point 3 of the Directors' Report.

Non-executive directors are expected to prepare for and attend Board and committee meetings and associated activities.

Board committees
Due to the small size and structure of the Board, there are no separate audit, nomination and remuneration committees. Instead, the Board considers it more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily be considered by audit, nomination or remuneration committees. When considering these matters, the Board functions in accordance with its Audit Committee Charter and Remuneration Committee Charter.

Each written charter sets out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company website.

Nomination committee
ASX CGC Recommendations 2.4, 2.5, 2.6
There is no separate nomination committee. The Board considers those matters and issues arising that would usually fall to a nomination committee. Directors' consideration of nomination matters at Director meetings are set out in the Directors' Report in point 3.

When considering nomination matters, the Board operates in accordance with its charter which is available on the Company website at www.pacmag.com.au. The main responsibilities are to:

- conduct an annual review of the membership of the Board having regard to present and future needs of the Company, and to make recommendations on Board composition and appointments;
- conduct an annual review of and conclude on the independence of each director;
- propose candidates for Board vacancies;
- oversee the annual performance assessment program;
- oversee Board succession, including the succession of the Chairman; and
- assess the effectiveness of the induction process.

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and skills, compatibility within the Company's scope of activities, and ability to undertake Board duties and responsibilities. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company. Advice may be sought from independent search consultants, where necessary.

Details of the nomination, selection and appointment processes are available on the Company website.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

DIRECTORS' REPORT (cont'd)

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities and rights, and the terms and conditions of their employment. All new directors participate in a comprehensive, induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the Board. No appointments of this nature were accepted during the year ended 30 June 2009.

The commitments of non-executive directors are considered by the nomination committee, prior to the directors' appointment to the Board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of conduct and trading policy
ASX CGC Recommendation 3.1, 3.2, 3.3
The Company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies and that individuals are responsible and accountable for reporting and investigating reports of unethical behaviour.

Directors, employees and contractors are required to comply with the Company's comprehensive Share Trading Policy when dealing in the Company's securities. This policy outlines the law on insider trading and restricts people working for or associated with the company from dealing in company securities.

The Code of Conduct and the Company's Trading Policy is discussed with each new employee upon induction. All directors and employees are required to sign an annual declaration that they have read the Code of Conduct and the Company's Trading Policy and have complied with each.

The Code requires employees who are aware of unethical practices within the Company or breaches of the Company's Trading Policy to report on these matters directly to the Managing Director or Chairperson.

The policy prohibits Directors or employees from dealing in Company's securities when they are in possession of price sensitive information that is not generally available to the market. Prior authorisation must be obtained from the Chairman before the purchase and sale of Company securities by directors and employees. As part of the Company's compliance review process, management reports directly to the Board on the compliance with the Code and Trading Policy.

DIRECTORS' REPORT (cont'd)

The Company abides by a policy of continuous disclosure, as required by the ASX Listing Rules.

- The Company has developed a Code of Conduct for directors and officers, and to guide compliance with legal and other obligations to legitimate stakeholders, and it is disclosed on the Company's website.
- The Company has in place a Share Trading Policy concerning trading in Company securities, and it is disclosed on the Company's website.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

A copy of the Code of Conduct and the trading policy are available on the company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit committee
ASX CGC Recommendation 4.1, 4.2, 4.3, 4.4
There is no separate audit committee. The Board considers those matters and issues arising that would normally fall to the audit committee. Directors' consideration of Audit Matters at Director meetings is set out in point 3 of the Directors' Report. Details of the directors' qualifications are set out in the Directors Report at point 10.

The Board, acting as the audit committee, has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Company operates.

The Board, acting as the audit committee, operates in accordance with a charter which is available on the Company website. The main responsibilities are to:

- review, assess and approve the annual full reports, the half-year financial report and all other financial information published by the company or released to the market.
- review the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations.
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and assess its performance, including independence.
- oversee the effective operation of the risk management framework.
- recommend the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance.
- consider the independence and competence of the external auditor on an ongoing basis. Each reporting period, the external auditor provides and independence declaration in relation to the audit.
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- review and monitor related party transactions and assess their propriety.

DIRECTORS' REPORT (cont'd)

- review matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Board:

- receives regular reports from management and the external auditors.
- meets with management and external auditors at least twice a year, or more frequently if necessary:
  - reviews the processes the CEO and CFO have in place to support their certifications.
  - reviews the half year and annual report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings.
  - reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
  - provides management and external auditors with a clear line of direct communication at any time to the Chairman of the Board.
  - meets separately with the external auditors at least twice a year without the presence of management, as required.

The Board, acting as the audit committee, has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors
The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration the assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 27 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous disclosure and market communication
ASX CGC Recommendation 5.1, 5.2
The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures are designed to ensure that shareholders and the market are provided with equal, timely and balanced access to material information concerning the Company. A summary of these policies and procedures is available on the company's website.

DIRECTORS' REPORT (cont'd)

The Managing Director acting as CEO and the Company Secretary are responsible for interpreting the company's policy, ensuring compliance with continuous disclosure and informing the Board where necessary. The CEO has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX) and overseeing and coordinating information disclosure to analysts, brokers, shareholders, the media and the public. All senior management are informed of the Company's continuous disclosure policy and understand the processes involved in relation to the timely disclosure of information.

All information disclosed to the ASX is posted on the Company's website (www.pacmag.com.au) as soon as practicable after it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Shareholder communication
ASX CGC Recommendations 6.1, 6.2
The Boards continuous disclosure and communications policies and procedures are designed to encourage effective, timely, balanced and understandable information concerning the company to its shareholders and the market. Initiatives to facilitate this include making all company announcements, media briefings, and details of company meetings, press releases for the last three years and financial reports for the last five years available on the company's website. All information released to the market and related information (such as information provided to analysts or the media) is placed on the Company's website promptly following the release to the ASX. The Company currently does not Webcast live any analyst or media briefings as it is currently impractical for the Company to do so.

The full annual report is provided via the Company's website to all shareholders, unless a shareholder has specifically requested to receive a physical copy or not to receive the document. The annual report includes relevant information about the operations and activities of the Company and its subsidiaries during the year, changes in the state of affairs and details of future developments. The half year report contains summarised financial information and a review of operations of the Company and its subsidiaries. This is sent to shareholders upon shareholder request.

The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates on company matters.

Full texts of notices of meetings and explanatory material are placed on the Company's website.

The Company encourages full and effective shareholder participation at general meetings. Shareholders generally participate in these meetings in person or through the appointment of a proxy.

A summary of these policies and procedures is available on the company's website.
at www.pacmag.com.au.

DIRECTORS' REPORT (cont'd)

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk assessment and management
ASX CGC Recommendations 7.1, 7.2, 7.3, 7.4
The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the company website. In summary, the Company 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.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Ultimate responsibility for risk oversight and management rests with the full Board. The Board delegates its day to day management of risk to the Managing Director. The Managing Director, with Board oversight and approval, is responsible to identify, assess, monitor and manage material business risks, which are documented in a risk register. Material business risks addressed with detailed control procedures cover operational, environmental, financial reporting and compliance, sustainability, strategic, project appraisal, ethical conduct, reputation, technical and project management competencies and market related risks.

The Managing Director, with assistance from senior management as required, is required to:

- ensure that appropriate controls are in place to effectively manage those risks;
- regularly monitor and assess the effectiveness and performance of internal controls and the risk management process.

The Managing Director is responsible for regularly reporting to the Board and submits at least twice a year, or more frequently, as required, an updated risk register for Board discussion and approval. The Company implemented a revised risk management policy and risk register in the last quarter of 2009. The Board has received from management an annual summary on risk management effectiveness to support the certification supplied by the Managing Director and Company Secretary, detailed below under 'Corporate Reporting'.

Corporate Reporting
ASX CGC Recommendation 7.3, 7.4
The Managing Director, acting as CEO and the Company Secretary, acting as CFO, have made the following certifications to the Board for the financial year ended 30 June 2009:

- that the Company's financial records are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and its wholly owned subsidiaries and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

The environment, health and safety management systems (EHSMS)

The Company is subject to significant environmental and occupational health and safety (OH&S) regulation in relation to its exploration activities and aims to ensure that it complies with all relevant environmental legislation.

DIRECTORS' REPORT (cont'd)

The Company's operations and projects are subject to laws and regulations regarding environmental hazards. The Board of Directors is responsible for the environmental performance of the Company and to ensure that the Company is in compliance with environmental regulations.

The Company's activities in Australia and the USA where the Company currently holds tenure is subject to extensive regulation by state and federal governments in relation to exploration, development, production, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radioactive substances, native title and other matters. The Company intends to conduct its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and as such has developed a Health-Safety-Environment and Community Policy to guide employees and executives in compliance matters by;

- Ensuring the practices necessary to maintain confidence in the company's integrity
- Outlining the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

As part of this process of environmental management the Board is responsible for:

- setting and communicating environmental objectives and quantified targets
- monitoring progress against these objectives and targets
- implementing environmental management plans in operating areas which may have a significant environmental impact
- identifying where remedial actions are required and implementing action plans
- regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

In order to meet its responsibilities the Board sets aside time at Board Meetings to discuss the environmental performance at the Company's projects, this is reported on through management on a regular basis.

Compliance with the requirements of environmental regulations and with specific requirements of environmental licences was substantially achieved across all projects with no instances of significant non-compliance in relation to licences requirements noted.

Based on the results of enquires made, the board is not aware of any significant breaches during the period covered by this report.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration committee
ASX CGC Recommendation 8.1, 8.2, 8.3
There is no separate remuneration committee. The Board considers those matters and issues arising that would usually fall to the remuneration committee. Directors' consideration of remuneration matters at Director meetings are set out in point 3 of the Directors' Report.

When considering matters of remuneration, the Board functions in accordance with its Remuneration Committee Charter, which is available on the Company website. The remuneration committee charter requires the Board to review matters on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. It is also responsible for share option schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance policies.

DIRECTORS' REPORT (cont'd)

The Board, acting as the remuneration committee undertakes an annual survey on recent developments on remuneration and comparisons of remuneration within the resources industry in order to ensure that the Company is able to attract and retain high calibre industry professional employees.

Senior executives sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

For further information on director and executive remuneration, refer to the Directors' Report under the heading "Remuneration Report". It is Company policy that participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

It is a requirement that Board members disclose immediately any transactions between the organisation and the directors, or any interests associated with the directors, or any transaction or interests that may potentially become a conflict of interest to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

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

Furthermore there are no schemes for retirement benefits for non executive directors (other than superannuation).

NON-COMPLIANCE STATEMENT

PacMag Metals Limited has not followed all of the best proactive recommendations released by the ASX Corporate Governance Council, and set out in ASX Listing Rule 4.10.3.

The Company has identified those recommendations that have not been followed as follows:

- At the date of this report no separate nomination, remuneration or audit committees of the Board of Directors exist. Instead, the Board sets aside time at Board meetings to specifically address matters that would ordinarily be considered by audit, nomination or remuneration committees.
- The Chairperson, Mr R M Joyce, is not an independent director and as such does not comply with ASX Corporate Governance Recommendation 2.2. The Board believes that the Chairman brings quality experience and independent judgement to all matters falling within the Chairman's scope.
- Two out of three directors on the Board are not Independent Directors, and as such do not comply with ASX Corporate Governance Recommendation 2.1 in relation to the requirement for the majority of the Board to be independent. The Board believes that the existing directors have the necessary skill base and experience to discharge their responsibilities effectively.

DIRECTORS' REPORT (cont'd)

The reasons the Company has not followed all of the recommendation are as follows:

- The Company is a junior exploration company with limited financial and human resources.
- The Company has confined its management structures to maximise the availability of resources for exploration.
- One of the Company's three directors is active in the management of the Company, thereby effecting substantial savings in the managerial and administration costs of the Company.
- Although the Board does not currently have a majority of Independent Directors, the Board of Directors does however have access, in appropriate circumstances, to independent professional advice that will facilitate independent judgement in Board decisions.
- The minimisation of organisational structures allows the Company to respond quickly to any opportunities that may arise.
- All matters to be dealt with by the nomination, remuneration and audit committees are dealt with by the full Board of Directors.

The Company recognises the importance of proper corporate governance and, notwithstanding its size and limited resources, has endeavoured to meet the principles of good corporate governance and best practice recommendations set by the ASX Corporate Governance Council.

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

M J CLIFFORD
Director

Perth
23rd September 2009

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead engagement partner for the audit of PacMag Metals Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PacMag Metals Limited and the entities it controlled during the year.

PKF

PKF
Chartered Accountants

Chris Nicoloff

Chris Nicoloff
Partner

Dated at Perth, Western Australia on this 23rd day of September 2009.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au
West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED ENTITY 2009 $	CONSOLIDATED ENTITY 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Revenue					
Revenue from continuing operations	3	250,073	624,443	210,127	634,058
		250,073	624,443	210,127	634,058
Expenses					
Administration expenses		(280,520)	(322,970)	(329,911)	(305,678)
Impairment loss on available for sale assets	20	(719,789)	(2,189,719)	(719,789)	(2,189,719)
Employee benefit expenses		(102,425)	(112,642)	(102,425)	(112,642)
Exploration expenditure incurred	4	(43,816)	(82,794)	(40,756)	(79,254)
Impairment on exploration expenditure	4	(946,836)	-	-	-
Other expenses	4	(2,718)	(19,152)	(1,629,755)	(5,413,929)
		(2,096,104)	(2,727,277)	(2,822,636)	(8,101,222)
Profit/(loss) before income tax		(1,846,031)	(2,102,834)	(2,612,509)	(7,467,164)
Income tax (expense)/benefit	5	225,436	753,566	225,436	655,255
Net profit/(loss) for the period		(1,620,595)	(1,349,268)	(2,387,073)	(6,811,909)

		Cents	Cents
Profit			
Basic (cents per share)	28(a)	(1.12)	(0.98)
Diluted (cents per share)	28(b)	(1.12)	(0.98)

The Income Statements are to be read in conjunciton with the attached notes to and forming part of these financial statements

BALANCE SHEET
AS AT 30 JUNE 2009

		CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		$	$	$	$
ASSETS	**Note**				
Current Assets					
Cash and cash equivalents	6	2,461,902	4,562,345	2,461,882	4,561,623
Trade and other receivables	7	268,096	518,176	38,616	146,942
Total current assets		2,729,998	5,080,521	2,500,498	4,708,565
Non-current assets					
Receivables	8	-	-	-	-
Available for sale financial assets	9	1,225,644	1,487,416	1,225,644	1,487,416
Other financial assets	10	-	-	7,346,492	7,346,472
Property, plant and equipment	11	1,042	2,022	1,042	2,022
Exploration and evaluation expenditure	12	9,087,935	8,151,511	1,047,845	1,020,374
Deferred tax asset	16	600,066	623,021	593,446	623,021
Intangibles	13	-	1,525	-	1,525
Total non-current assets		10,914,687	10,265,495	10,214,469	10,480,830
Total assets		13,644,685	15,346,016	12,714,967	15,189,395
LIABILITIES					
Current Liabilities					
Trade and other payables	14	169,881	598,910	169,881	598,910
Current tax liabilities	5	-	-	-	-
Total current liabilities		169,881	598,910	169,881	598,910
Non-current liabilities					
Provisions	15	2,350	1,745	2,350	1,745
Deferred tax liabilities	16	600,066	669,632	593,446	669,632
Total non-current liabilities		602,416	671,377	595,796	671,377
Total liabilities		772,297	1,270,287	765,677	1,270,287
Net Assets		12,872,388	14,075,729	11,949,290	13,919,109
EQUITY					
Issued Capital	17	14,793,654	14,793,654	24,266,546	24,266,546
Option reserve	18(a)	1,910,290	1,493,036	2,056,980	1,639,726
Accumulated losses	18(b)	(3,831,556)	(2,210,961)	(14,374,236)	(11,987,163)
Total equity		12,872,388	14,075,729	11,949,290	13,919,109

The Balance Sheet should be read in conjunction with the attached notes to and forming part of these financial statements

STATEMENT OF RECOGNISED CHANGES IN EQUITY
AS AT 30 JUNE 2009

	Note	CONSOLIDATED ENTITY 2009 $	CONSOLIDATED ENTITY 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Total equity at the beginning of the financial year		14,075,729	14,621,338	13,919,109	19,927,359
Changes in fair value of available for sale financial assets, net of tax	18(a)	417,254	34,259	417,254	34,259
Net income recognised directly in equity		417,254	34,259	417,254	34,259
Profit/ (Loss) for the year	18(b)	(1,620,595)	(1,349,268)	(2,387,073)	(6,811,909)
Total recognised income and expense for the year		(1,203,341)	(1,315,009)	(1,969,819)	(6,777,650)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares:					
Issue of shares by legal parent	17(a)	-	773,097	-	773,097
Cost of issue of shares and options	17(a)	-	(5,280)	-	(5,280)
Deferred tax recognised directly in equity	17(a)	-	1,583	-	1,583
Total equity at the end of the financial year		12,872,388	14,075,729	11,949,290	13,919,109

This Statement of Changes in Equity should be read in conjunction with the attached notes to and forming part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED ENTITY 2009 $	CONSOLIDATED ENTITY 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Cash flows from operating activities					
Payments to suppliers, exploration and evaluation expenditure		(1,453,660)	(429,643)	(485,397)	(413,950)
Interest received		202,627	444,029	200,103	444,020
Income Tax Paid		-	(15,650)	-	-
Net cash (used in) operating activities	29	(1,251,033)	(1,264)	(285,294)	30,070
Cash flows from investing activities					
Acquisition of other financial assets at fair value		-	(240,593)	-	(240,593)
Proceeds on sale of available-for-sale assets		163,178	-	163,178	-
Proceeds of sale of other financial assets at fair value		-	783,297	-	783,297
Acquisition of controlled entities		-	-	(20)	-
Deposits paid in relation to tenements		-	(396,238)	-	-
Net cash provided by investing activities		163,178	146,466	163,158	542,704
Cash flows from financing activities					
Exploration costs capitalised		(1,012,588)	(5,207,721)	59,207	(474,041)
Payments on behalf of controlled entities		-	-	(2,036,812)	(5,160,995)
Proceeds from issues of equity securities		-	773,097	-	773,097
Costs of issuing equity securities		-	(5,280)	-	(5,280)
Net cash provided by financing activities		(1,012,588)	(4,439,904)	(1,977,605)	(4,867,219)
Net (decrease)/increase in cash and cash equivalents		(2,100,443)	(4,294,702)	(2,099,741)	(4,294,445)
Cash and cash equivalents at the beginning of the financial year		4,562,345	8,857,047	4,561,623	8,856,068
Cash and cash equivalents at the end of the financial year	6	2,461,902	4,562,345	2,461,882	4,561,623

This Statement of Cash Flows should be read in conjunction with the attached notes to and forming part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for PacMag Metals Limited as an individual entity and the consolidated entity consisting of PacMag Metals Limited and its subsidiaries.

(a) Basis of preparation

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

Compliance with IFRSs
The financial report of the consolidated entity and parent entity complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The financial report is presented in Australian dollars, which is the Company's functional currency and the functioning currency of the majority of the Group.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(b) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities as at 30 June 2009, that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistent with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of PacMag Metals Limited.

Minority Interest

Minority interest has been reclassified to issued capital and reserves based on interpretation of AASB 3 *Business Combinations.* This has resulted as all new shares subsequently issued by PacMag after the reverse acquisition by Coral Gem Pty Ltd have been recognised as issued capital in the consolidated financial statements rather than minority interest. The reverse acquisition accounting only applies to determine the allocation of the costs of the business combination as at the acquisition date and does not apply to any transactions after the combination. The result of the reclassification does not effect the carrying amount of any assets, liabilities nor the reported net profit/(loss) after tax. The comparative periods have also been reclassified.

(c) Interest in joint venture operation

The Group's interest in its joint venture operation is accounted for by recognising the Group's proportionate interest in the assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

(d) Segment reporting

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

(e) 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 PacMag Metals Limited's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) 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 that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amount collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest Revenue
Revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Other Revenue
Other revenue is recognised when the amount of revenue can be reliably measured and control of the right to receive the revenue has passed.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probably that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation
The company and all its wholly-owned Australian resident entities have not elected to form a tax-consolidated group under Australian taxation law.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Capitalised leased assets are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessees are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(i) Business combinations

The legal subsidiary, identified as the 'acquirer' pursuant to Accounting Standard AASB 3, was responsible for the reverse acquisition of the Company (the "acquiree" and "legal parent") and as required by the standard, the business combinations have all been accounted for by applying the purchase method. The consolidated financial statements reflect the "continuing financial statements" of the legal subsidiary.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An 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.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Loans and receivables

Trade receivables, loans and other receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment. Trade receivables are generally due for settlement within 30 days. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Indicators that the trade receivable is impaired include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default in payments. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited against other expenses in the income statement.

(m) Investments and other financial assets

The Group classifies its investments as financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term. The fair values of quoted investments are based on current prices.

ii) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturity and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement
Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value.

(o) Property, plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in the revaluation reserve, in respect of those assets to retained earnings.

Depreciation
Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful life, residual values and depreciation method is reviewed at the end of each annual reporting period.

The estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 5-15 years

Impairment
The carrying value of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement in the cost of sales line item.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's

share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. When the excess in negative (negative goodwill), it is recognised immediately in profit or loss. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently of events or changes in circumstances indicates that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(ii) IT development and software
Costs incurred in developing products of systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(q) Deferred Exploration and Evaluation Expenditure

Exploration and Evaluation Expenditure
Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(r) Trade and other payables

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

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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

(u) Share-based payments

Share-based compensation benefits are provided to employees via the PacMag Metals Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The fair value of options granted under the PacMag Metals Limited Employee Option Plan is recognised as a employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the 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 fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth target). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(v) Equity

Ordinary shares are classified as equity.

Transaction costs on the issue of equity instruments
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Company reacquiring own equity instruments
If the entity reacquires its own equity instruments, eg. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration is paid including any directly attributable incremental costs (net of income taxes) are recognised directly in equity.

(w) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all diluted potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable top, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO 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.

(y) New accounting standards and interpretations not yet adopted

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

- *Revised AASB 3 Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit and loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised AASB3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.
- Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

resources to them. Currently, the Group presents segment information in respect of its business and geographical segments (see note 2). The adoption of AASB 8 is likely to result in an increase in the number of reportable segments presented.

- Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non–vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 *Amendments to Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statement. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.
- AI 17 *Distributions of a Non-Cash Assets to Owners* provides guidance in respect of measuring the value of distributions on non-cash assets to owners. AI 17 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the Interpretation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

2. SEGMENT REPORTING

The consolidated entity operates in Australia and the USA, and is one business segment, mineral, mining and exploration and all of the consolidated entity's resources are employed for this purpose.

2009	Australia $	USA $	Total $
Revenue	142,580	107,493	250,073
Other revenue	-	-	-
	142,580	107,493	250,073
Expenses	(1,129,110)	(966,994)	(2,096,104)
Loss for period	(986,530)	(859,501)	(1,846,031)
Segment assets	5,474,394	8,170,291	13,644,685
Liabilities	(772,297)	-	(772,297)
Net assets	4,702,097	8,170,291	12,872,388
Acquisitions of property, plant and equipment, intangible and other non-current segment assets	-	-	-
Depreciation and amortisation expense	980	-	980
Impairment of available for sale financial assets	719,789	-	719,789
Impairment on exploration expenditure	-	946,836	946,836
Cash flow information:			
Net cash inflow from operating activities	285,926	(965,107)	(1,251,033)
Net cash (outflow) from investing activities	163,178	-	163,178
Net cash inflow from financing activities	(740,787)	(271,804)	(1,012,588)

2008	Australia $	USA $	Total $
Revenue	624,435	8	624,443
Other revenue	-	-	-
	624,435	8	624,443
Expenses	(2,687,274)	(40,003)	(2,727,277)
Loss for period	(2,062,839)	(39,995)	(2,102,834)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

2. SEGMENT REPORTING (cont'd)

2008	Australia $	USA $	Total $
Segment assets	7,866,958	7,497,058	15,346,016
Liabilities	(1,270,287)	-	(1,270,287)
Net assets	6,596,671	7,497,058	14,075,729
Acquisitions of property, plant and equipment, intangible and other non-current segment assets	-	-	-
Depreciation and amortisation expense	1,419	-	1,419
Impairment of available for sale financial assets	2,189,719	-	2,189,719
Cash flow information:			
Net cash inflow from operating activities	1,967	(3,231)	(1,264)
Net cash (outflow) form investing activities	352,993	(206,527)	146,466
Net cash inflow from financing activities	(4,649,662)	209,758	(4,439,904)

3. REVENUE

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Revenue from continuing operations:				
Other revenue				
Finance income - banks	187,535	443,756	185,011	443,748
Foreign exchange gains (net)	37,422	-	-	9,623
Net gain on sale of available for sale financial assets	25,116	180,687	25,116	180,687
	250,073	624,443	210,127	634,058

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

4. EXPENSES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Profit before income tax includes the following specific expenses:				
Depreciation of plant and equipment	980	1,419	980	1,419
Amortisation on software	1,525	2,200	1,525	2,200
Exploration and evaluation expenditure incurred	43,816	82,794	40,756	79,254
Impairment on exploration expenditure	946,836	-	-	-
Interest paid	212	47	2	47
Impairment loss of available for sale assets	719,789	-	719,789	-
Provision for impairment of advances to controlled entities	-	-	1,627,247	1,492,115
Foreign exchange losses (net)	-	15,486	67,547	-
	1,713,158	101,946	2,457,846	5,493,183

5. INCOME TAX

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
Major components of income tax expense for the years ended 30 June 2009 & 2007 are:	$	$	$	$
Income statement				
Current income				
Current income tax charge	-	(3,276)	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	(225,436)	(750,290)	(225,436)	(655,255)
Income tax expense/(benefit) reported in income statement	(225,436)	(753,566)	(225,436)	(655,255)

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expenses at the Group's effective income tax rate for the years ended 30 June 2009 and 2008 is as follows:

Accounting profit/(loss) before income tax	(1,846,031)	(2,102,834)	(2,612,509)	(7,467,164)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

5. INCOME TAX (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	**2008**	**2009**	**2008**
At the statutory income tax rate of	**$**	**$**	**$**	**$**
30% (2008: 30%)	(553,810)	(630,850)	(783,753)	(2,240,148)
Increase in income tax expense due to:				
Non-deductible expenses	20,283	2,235	20,283	2,235
Non-recoverable loans to subsidiaries	-	-	488,174	1,623,079
In-specie distribution	-	-	-	-
Decrease in income tax due to:				
Gain on sale of shares not subject to tax	(48,953)	(201,061)	(48,953)	(201,061)
Unrecognised temporary differences and tax losses	359,148	13,782	100,917	-
Timing differences and tax losses not previously recognised	(2,103)	155,776	(2,103)	250,811
Adjustment in respect of prior period	-	(93,448)	-	(90,171)
Income tax expense/(benefit) on pre-tax net profit	(225,435)	(753,566)	(225,435)	(655,255)
Current year expense	-	(3,276)	-	-
Deferred tax expense	(225,435)	(750,290)	(225,435)	(655,255)
	(225,435)	(753,566)	(225,435)	(655,255)
Deferred income tax recognised directly in equity				
Net deferred tax-debited/(credited) directly in equity	178,824	(13,099)	178,824	(13,099)

PacMag Metals Limited and its subsidiaries have not elected to form a tax consolidated group.

6. CURRENT ASSETS - CASH ASSETS & CASH EQUIVALENTS

Cash at bank and in hand	68,445	183,026	68,425	182,304
Money market deposit	2,000,000	2,500,000	2,000,000	2,500,000
Deposits at call	393,457	1,879,319	393,457	1,879,319
	2,461,902	4,562,345	2,461,882	4,561,623

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

6. CURRENT ASSETS - CASH ASSETS & CASH EQUIVALENTS (cont'd)	CONSOLIDATED ENTITY 2009 $	CONSOLIDATED ENTITY 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
(a) Reconciliation to cash at the end of the year				
The above figures are reconciled to cash at the end of the financial year, as shown in the statement of cash flows, as follows:				
Balances as above	2,461,902	4,562,345	2,461,882	4,561,623
Balances per statement of cash flows	2,461,902	4,562,345	2,461,882	4,561,623

(b) Cash at bank and on hand
These are interest bearing.

(c) Deposits at call
Deposits at call are bearing a floating interest rate of between 2.90% and 3.75% (2008: between 6.15% and 7.20%). These deposits have an average maturity of 30 days.

(d) Money market deposit
The money market deposit is bearing an interest rate of 3.30% and 4.00% (2008: between 6.42% and 8.05%). This deposit has an average maturity of 60 days.

7. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES	CONSOLIDATED ENTITY 2009 $	CONSOLIDATED ENTITY 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Other receivables	266,101	511,191	36,621	139,957
Prepayments	1,995	6,985	1,995	6,985
At end of year	268,096	518,176	38,616	146,942

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other receivables, it is expected that these amounts will be received when due.

Net Fair Values
The carrying amounts of current receivables approximate net fair values as determined by reference to present values of future net cash flows. Receivables are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
8. NON-CURRENT ASSETS - RECEIVABLES	**2009** **$**	**2008** **$**	**2009** **$**	**2008** **$**
Loans to controlled entities	-	-	13,191,643	11,564,396
Less: Provisions for Impairment losses	-	-	(13,191,643)	(11,564,396)
	-	-	-	-

Fair values
Receivables are non-interest bearing.

During the financial year ended 30 June 2009, receivables from controlled entities were provided for by $1,627,247 (2008: $5,410,263).

Impaired receivables and receivables past due
None of Non-current receivables are impaired or past due but not impaired.

	CONSOLIDATED ENTITY		PARENT ENTITY	
9. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS	**2009** **$**	**2008** **$**	**2009** **$**	**2008** **$**
Australian listed equity securities	1,225,644	1,487,416	1,225,644	1,487,416
	1,225,644	1,487,416	1,225,644	1,487,416

	CONSOLIDATED ENTITY		PARENT ENTITY	
10. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS	**2009** **$**	**2008** **$**	**2009** **$**	**2008** **$**
Shares in subsidiaries (i)	-	-	7,346,492	7,346,472
	-	-	7,346,492	7,346,472

(i) The financial assets are carried at cost.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
11. NON-CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Plant and Equipment				
Cost	5,342	5,342	5,342	5,342
Accumulated depreciation	(4,300)	(3,320)	(4,300)	(3,320)
Balance at 30 June	1,042	2,022	1,042	2,022
Movement in Plant and Equipment:				
Cost				
Balance at beginning of financial period	5,342	5,342	5,342	5,342
Additions	-	-	-	-
Balance at 30 June	5,342	5,342	5,342	5,342
Depreciation and impairment losses				
Balance at beginning of financial period	(3,320)	(1,901)	(3,320)	(1,901)
Depreciation charge for the year	(980)	(1,419)	(980)	(1,419)
Balance at 30 June	(4,300)	(3,320)	(4,300)	(3,320)
Carrying Amount	1,042	2,022	1,042	2,022

	CONSOLIDATED ENTITY		PARENT ENTITY	
12. NON-CURRENT ASSETS - CAPITALISED EXPLORATION & EVALUATION EXPENDITURE	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Cost	10,034,771	8,151,512	1,047,845	1,020,374
Impairment losses	(946,836)	-	-	-
Balance at 30 June	9,087,935	8,151,512	1,047,845	1,020,374

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
12. NON-CURRENT ASSETS - CAPITALISED EXPLORATION & EVALUATION EXPENDITURE (cont'd)	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Movement in Capitalised Exploration & Evaluation Expenditure				
Cost				
Balance at beginning of financial period	8,151,511	2,727,613	1,020,374	579,321
Expenditure Capitalised	1,883,260	5,423,898	27,471	441,053
Less: Disposals	-	-	-	-
Balance at 30 June	10,034,771	8,151,511	1,047,845	1,020,374
Impairment losses				
The impairment charge is recognised in the following line items in the income statement:				
Impairment loss on exploration and evaluation assets	946,836	-	-	-
Carrying Amount	9,087,935	8,151,511	1,047,845	1,020,374

Exploration and evaluation assets

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

	CONSOLIDATED ENTITY		PARENT ENTITY	
13. NON-CURRENT ASSETS - INTANGIBLE ASSETS	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Software				
Cost	5,500	5,500	5,500	5,500
Accumulated amortisation	(5,500)	(3,975)	(5,500)	(3,975)
Balance at 30 June	-	1,525	-	1,525

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
13. NON-CURRENT ASSETS - INTANGIBLE ASSETS (cont'd)	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Movement in Intangible Assets:				
Cost				
Balance at beginning of financial period	5,500	5,500	5,500	5,500
Additions	-	-	-	-
Balance at 30 June	5,500	5,500	5,500	5,500
Accumulated Amortisation				
Balance at beginning of financial period	(3,975)	(1,775)	(3,975)	(1,775)
Amortisation charge	(1,525)	(2,200)	(1,525)	(2,200)
Balance at 30 June	(5,500)	(3,975)	(5,500)	(3,975)
Carrying Amount	-	1,525	-	1,525

		CONSOLIDATED ENTITY		PARENT ENTITY	
14. CURRENT LIABILITY - TRADE AND OTHER PAYABLES	**Notes**	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Trade payables		86,817	410,965	86,817	410,965
Other payables	(i)	83,064	187,945	83,064	187,945
		169,881	598,910	169,881	598,910

(i) Amounts not expected to be settled within the next 12 months
Other payables include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Annual Leave obligation expected to be settled after 12 months	35,492	35,492	35,492	35,492

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
14. CURRENT LIABILITY - TRADE AND OTHER PAYABLES (cont'd)	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Aggregate amounts payable to related parties:				
Director related entities	37,063	60,000	37,063	60,000

Net fair values

The carrying amounts of accounts payable approximate net fair values, as determined by reference to the present values of future net cash flows. Accounts payable are non-interest bearing.

	CONSOLIDATED ENTITY		PARENT ENTITY	
15. NON CURRENT LIABILITIES - PROVISIONS	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Provisions for employee entitlements - Long Service Leave	2,350	1,745	2,350	1,745
	2,350	1,745	2,350	1,745

	CONSOLIDATED ENTITY		PARENT ENTITY	
16. DEFERRED TAX ASSETS AND LIABILITIES	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Deferred tax assets and liabilities are attributable to the following:				
Deferred tax assets				
Receivables	-	(95,035)	-	-
Capital raising costs	20,239	31,642	20,079	31,400
Creditors	9,535	20,994	9,535	20,994
Provisions	14,456	14,275	14,456	14,275
Amounts not recognised	(160)	(242)	-	-
Benefit of tax losses	555,996	651,387	549,376	556,352
	600,066	623,021	593,446	623,021
Deferred tax liabilities				
Listed shares	277,514	356,047	277,514	356,047
Exploration expenditure	320,974	306,113	314,354	306,113
Receivables	1,265	5,793	1,265	5,793
Property, plant and equipment	313	607	313	607
Unrealised foreign exchange differences	-	1,072	-	1,072
	600,066	669,632	593,446	669,632

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
16. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Deferred tax assets not recognised				
Temporary differences	3,957,493	3,469,561	3,957,493	-
Tax losses	107,547	6,167	100,917	3,469,319
Capital losses	-	-	-	-

Movement in Deferred Tax Assets	**Balance 1 July 08**	**Recognised in income**	**Recognised in equity**	**Balance 30 June 09**
CONSOLIDATED				
Receivables	-	-	-	-
Capital raising costs	31,400	(11,321)	-	20,079
Creditors	20,994	(11,459)	-	9,535
Provisions	14,275	181	-	14,456
Tax losses	556,352	(356)	-	555,996
Temporary differences not recognised	-	-	-	-
	623,021	(22,955)	-	600,066

	Balance 1 July 08	**Recognised in income**	**Recognised in equity**	**Balance 30 June 09**
COMPANY				
Receivables	-	-	-	-
Capital raising costs	31,400	(11,321)	-	20,079
Creditors	20,994	(11,459)	-	9,535
Provisions	14,275	181	-	14,456
Tax losses	556,352	(6,976)	-	549,376
Temporary differences not recognised	-	-	-	-
	623,021	(29,575)	-	593,446

	Balance 1 July 07	**Recognised in income**	**Recognised in equity**	**Balance 30 June 08**
CONSOLIDATED				
Receivables	-	-	-	-
Capital raising costs	42,044	(12,228)	1,584	31,400
Creditors	8,250	12,744	-	20,994
Provisions	9,691	4,584	-	14,275
Tax losses	481,018	75,334	-	556,352
Temporary differences not recognised	-	-	-	-
	541,003	80,434	1,584	623,021

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

16. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Movement in Deferred Tax Assets	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08
COMPANY				
Receivables	95,035	(95,035)	-	-
Capital raising costs	42,044	(12,228)	1,584	31,400
Creditors	8,250	12,744	-	20,994
Provisions	9,691	4,584	-	14,275
Tax losses	481,018	75,334	-	556,352
Temporary differences not recognised	-	-	-	-
	636,038	(14,601)	1,584	623,021

Movement in Deferred Tax Liability	Balance 1 July 08	Recognised in income	Recognised in equity	Balance 30 June 09
CONSOLIDATED				
Financial assets	356,047	(257,357)	178,824	277,514
Exploration expenditure	306,113	14,861	-	320,974
Receivables	5,793	(4,528)	-	1,265
Property, plant and equipment	607	(294)	-	313
Creditors	1,072	(1,072)	-	-
	669,632	(248,390)	178,824	600,066

	Balance 1 July 08	Recognised in income	Recognised in equity	Balance 30 June 09
COMPANY				
Financial assets	356,047	(257,357)	178,824	277,514
Exploration expenditure	306,113	8,241	-	314,354
Receivables	5,793	(4,528)	-	1,265
Property, plant and equipment	607	(294)	-	313
Creditors	1,072	(1,072)	-	-
	669,632	(255,010)	178,824	593,446

	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08
CONSOLIDATED				
Financial assets	1,145,135	(803,771)	14,683	356,047
Exploration expenditure	173,796	132,317	-	306,113
Receivables	5,875	(82)	-	5,793
Property, plant and equipment	-	607	-	607
Creditors	-	1,072	-	1,072
	1,324,806	(669,857)	14,683	669,632

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

16. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

	Balance 1 July 07	Recognised in income	Recognised in equity	Balance 30 June 08
COMPANY				
Financial assets	1,145,135	(803,771)	14,683	356,047
Exploration expenditure	173,796	132,317	-	306,113
Receivables	5,875	(82)	-	5,793
Property, plant and equipment	-	607	-	607
Creditors	-	1,072	-	1,072
	1,324,806	(669,857)	14,683	669,632

17. EQUITY - ISSUE CAPITAL

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
(a) Ordinary Shares - Fully Paid				
Balance at beginning of year	14,793,654	14,024,254	24,266,546	23,497,146
Shares issued on exercise of options	-	773,097	-	773,097
Transaction costs	-	(5,280)	-	(5,280)
Deferred tax recognised directly in equity	-	1,583	-	1,583
Balance at 30 June	14,793,654	14,793,654	24,266,546	24,266,546

Reconciliation of number of shares on issue

	CONSOLIDATED & PARENT ENTITY 2009	2008
Balance at beginning of year	144,667,639	135,239,634
Shares issued on exercise of options	-	9,428,005
Buy back of partly paid shares paid to 12 cents, 46.8 cents unpaid	-	-
Balance at 30 June	144,667,639	144,667,639

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of Authorised Capital. Accordingly, the Group does not have authorised capital or par value in respect of its issued shares.

(b) Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote per share, either in person or by proxy, at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

17. EQUITY – ISSUE CAPITAL (cont'd)

(c) Buy back of partly paid shares

During May 2007 the Company cancelled 2,083,336 partly paid shares paid to 12 cents each with $0.468 per share outstanding. On 5 October 2007, each share was replaced with an unlisted option, exercisable at 30 cents each, expiring on 30 June 2011.

	CONSOLIDATED ENTITY		PARENT ENTITY	
18. EQUITY - RESERVES & ACCUMULATED LOSSES	**2009 $**	**2008 $**	**2009 $**	**2008 $**
(a) Reserves				
Option reserve	1,453,039	1,453,039	1,599,729	1,599,729
Available for sale investments revaluation reserve	457,251	39,997	457,251	39,997
	1,910,290	1,493,036	2,056,980	1,639,726

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Option reserve				
Balance at beginning of year	1,453,039	1,453,039	1,599,729	1,599,729
Option expense	-	-	-	-
Deferred tax recognised directly in equity	-	-	-	-
Balance at 30 June	1,453,039	1,453,039	1,599,729	1,599,729

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Available for sale investment revaluation reserve				
Balance at beginning of financial year	39,997	5,738	39,997	5,738
Revaluation - gross	596,078	48,941	596,078	48,941
Deferred tax recognised directly in equity	(178,824)	(14,682)	(178,824)	(14,682)
Balance at 30 June	457,251	39,997	457,251	39,997

All options vest from date of issue and are exercisable at reporting time.

Information relating to the Company's Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 26.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

18. EQUITY RESERVES & ACCUMULATED LOSSES (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
(b) Accumulated losses	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Movements in accumulated losses were as follows:				
Balance at beginning of period	(2,210,961)	(861,693)	(11,987,163)	(5,175,254)
Net profit/(loss) for the year	(1,620,595)	(1,349,268)	(2,387,073)	(6,811,909)
	(3,831,556)	(2,210,961)	(14,374,236)	(11,987,163)

(c) Nature and purpose of reserves

Options reserve

The option reserve is used to recognise the fair value of options issued but not exercised with respect to share based payment transactions.

19. INTEREST IN JOINTLY CONTROLLED OPERATION

Under the terms of the Exploration Joint Venture Agreement dated 23 March 2006 between Giralia Resources NL (a director related entity) and PacMag Metals Limited, the Group has a 51% interest in the Blue Rose joint venture in South Australia. Giralia Resources NL (Director related entity) elected to contribute its 49% share of exploration costs incurred by PacMag Metals Limited plus 10% administrative costs effective 2 November 2007.

The consolidated entity's interest in assets employed in the above jointly controlled operation includes capitalised exploration and evaluation expenditure totalling $293,343 (2008: $265,873). These amounts are included under the capitalised exploration and evaluation expenditure in note 12.

(a) Capital commitments relating to jointly controlled operation

	CONSOLIDATED ENTITY		PARENT ENTITY	
Share of jointly controlled operations capital commitments	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	106,590	136,137	106,590	136,137
Later than one year but not later than five years	106,590	136,137	106,590	136,137
	213,180	272,274	213,180	272,274

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT

Overview

The Company and consolidated entity activities have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the consolidated entity through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash deposits, trade and other receivables and investment securities. For the Company it arises from receivables due from subsidiaries.

Investments

The consolidated entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

As the consolidated entity operates in the mining explorer sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Company and consolidated entity have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. Receivable balances are monitored on an ongoing basis. Management does not expect any counterparty to fail to meet its obligations.

Considering the nature of the Company and consolidated entity's ultimate customers and relevant terms and conditions entered into with such customers, the consolidated entity believes that credit risk is limited.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Current				
Cash and cash equivalents	2,461,902	4,562,345	2,461,882	4,561,623
Other receivables	261,882	476,880	32,402	105,646
	2,723,784	5,039,225	2,494,284	4,667,269

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Non-Current				
Available-for-sale financial assets	1,225,644	1,487,417	1,225,644	1,487,417
Other receivables	-	-	-	-
	1,225,644	1,487,417	1,225,644	1,487,417

Impairment losses

None of the Company's other receivables are past due (2008: nil). As other receivables are not past due, an ageing analysis has not been prepared.

The movement in the allowance for impairment in respect of available for sale financial assets during the year was as follows:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Impairment loss recognised during the year	719,789	2,189,719	719,789	2,189,719

An impairment loss of $719,789 (2008: $2,189,719) in respect of available for sale financial assets was recognised during the current year as a result of the fair value being less than cost. The directors have determined that this decline in market value is prolonged and significant and accordingly have considered the decline as an impairment loss. The impairment loss has been recognised in the income statement.

The allowance accounts in respect of other receivables and available for sale financial assets are used to record impairment losses unless the consolidated entity is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 30 June 2009, the consolidated entity does not have any collective impairments on its other receivables (2008: nil).

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The liquidity risk is managed by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The consolidated entity does not have any external borrowings.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT

Typically the consolidated entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	CONSOLIDATED ENTITY		PARENT ENTITY	
NON INTEREST BEARING	**2009**	**2008**	**2009**	**2008**
Trade and other payables	**$**	**$**	**$**	**$**
- Six months or less	124,042	553,071	124,042	553,071
- Six to twelve months	-	-	-	-
- One to five years	-	-	-	-
- Greater than five years	-	-	-	-
Total	124,042	553,071	124,042	553,071
Current Tax Liabilities				
- Six months or less	-	-	-	-
- Six to twelve months	-	-	-	-
- One to five years	-	-	-	-
- Greater than five years	-	-	-	-
Total	-	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

The consolidated entity operates in Australia and the USA and hence is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. The consolidated entity is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of consolidated entities, primarily the Australian dollar (AUD). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are not the entity’s functional currency.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency, however the consolidated entity manages the purchase of foreign currency to meet operational requirements.

The consolidated entity’s investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT

Exposure to Foreign Exchange Risk

The consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2009		30 June 2008	
	AUD	**USD**	**AUD**	**USD**
Financial Assets				
Cash	-	-	722	693
Other Receivables	234,275	188,476	371,234	353,290
Financial Liabilities				
Trade and other payables	17,191	13,836	353,592	339,979
Net balance sheet exposure	217,084	174,640	18,364	14,004

The company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2009		30 June 2008	
	AUD	**USD**	**AUD**	**USD**
Financial Assets				
Other Receivables	4,796	3,858	-	-
Financial Liabilities				
Trade and other payables	17,191	13,836	353,592	339,979
Net balance sheet exposure	(12,395)	(9,978)	(353,592)	(339,979)

The following significant exchange rates applied during the year:

	Average Rate		*Reporting date spot rate*	
	2009	**2008**	**2009**	**2008**
AUD$ = USD	0.80295	0.89646	0.80480	0.96150
USD$ = AUD	1.24624	1.11832	1.24300	1.04110

Consolidated Entity Sensitivity Analysis

At 30 June 2009, if the Australian dollar (AUD$) strengthened/weakened by 10% against the US dollar (USD$) with all other variables held constant, the consolidated entities loss for the year would have been $19,813 higher/$24,025 lower (2008: $4,991 higher/$2,339 higher), mainly as a result of foreign exchange gains/losses on translation of the US dollar denominated financial instruments (detailed in the above table). Loss is more sensitive to movements in the AUD$/USD$ exchange rates in 2009 than 2008 due to the decrease in US denominated trade and other payables from 2008, which was greater than the decrease in other receivables from 2008. There would be no effect on equity reserves.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT

Parent Entity Sensitivity Analysis

At 30 June 2009, if the Australian dollar (AUD$) strengthened/weakened by 10% against the US dollar (USD$) with all other variables held constant, the parent entities loss for the year would have been $1,125 lower/$1,379 higher (2008: $32,144 lower/$39,289 higher), mainly as a result of foreign exchange gains/losses on translation of the US dollar denominated financial instruments (detailed in the above table). Loss is less sensitive to movements in the AUD$/USD$ exchange rates in 2009 than 2008 due to the decrease in US denominated trade and other payables from 2008. There would be no effect on equity reserves.

Interest rate risk

The consolidated entity and company has no significant exposure to cash flow and fair value interest rate risks as it does not have interest bearing financial liabilities.

The consolidated entity and company has a money market deposit account which it invests surplus cash over fixed interest terms with a secure banking institution, for periods not exceeding 90 days. Working capital is held in bank accounts with variable interest rates. Given the short term nature of these financial instruments, interest rate risk on cash and short term money market deposits is not considered to a material risk.

Profile

At the reporting date, the financial instruments exposed to interest rate risk are as follows:

	Consolidated Carrying Amount		Company Carrying Amount	
	2009	**2008**	**2009**	**2008**
Current Financial Assets				
Cash and cash equivalents	2,461,902	4,562,345	2,461,882	4,561,623
	2,461,902	4,562,345	2,461,882	4,561,623

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
30 June 2009				
Variable rate instrument	31,957	(31,957)	31,957	(31,957)
Financial Assets	31,957	(31,957)	31,957	(31,957)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT (cont'd)

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2008				
Variable rate instrument	65,606	(65,606)	65,606	(65,606)
Financial Assets	65,606	(65,606)	65,606	(65,606)

A change of 100 basis point interest rates would have increased or decreased the Company's equity and profit or loss by $31,957 (2008: $65,606).

Other Price Risk

Equity price risk arises from investments held by the Company and consolidated entity which are classified on the balance sheet as available for sale equity securities.

Management of the Company and consolidated entity monitors the equity securities in its investment portfolio based on market values. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board.

The primary goal of the consolidated entity's investment strategy is to maximise investment returns. Investments classified as available for sale are carried at fair value, with fair value changes recognised directly in equity until derecognised.

Sensitivity Analysis

The percentage increase/decrease on the market prices of investments held by the Company and consolidated entity and its impact on post tax profit/(loss) for the year and on equity is outlined in the table below. The analysis assumes that in 2009 equity prices had increased/decreased by 30% (2008: 30%) and all other variables are held constant. The 2009 and 2008 decrease in available for sale financial assets was recognised in profit and loss as an impairment, given the continued decline in market value and consideration of the current state of the market.

	Impact on Profit or loss		Impact on Equity	
30 June 2009	30% increase	30% decrease	30% increase	30% decrease
Financial Assets				
Available for sale financial assets	-	(367,693)	367,693	(367,693)
	-	(367,693)	367,693	(367,693)

	Impact on Profit or loss		Impact on Equity	
30 June 2008	30% increase	30% decrease	30% increase	30% decrease
Financial Assets				
Available for sale financial assets	-	(446,225)	446,225	(446,225)
	-	(446,225)	446,225	(446,225)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT (cont'd)

The price risk for unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity and has not been included in the sensitivity analysis.

Commodity Price Risk

The consolidated entity operates primarily in the exploration and evaluation phase and accordingly the consolidated entity's financial assets and liabilities are subject to minimal commodity price risk.

Capital Management

The Board's objective when managing capital is to maintain a strong capital base so as to safeguard the Company and consolidated entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The management of the Company and consolidated entity's capital is performed by the Board.

There were no changes in the consolidated entity's approach to capital management during the year.

The consolidated entity operates in Australia and the USA. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company and consolidated entity is the current bid price.

The fair value of financial assets and liabilities not readily traded in an organised financial market are determined by valuing them at the value of contractual or expected future cash flows on amounts from customers or other corporations (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank deposits at call, money market deposits approximate their fair value. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature.

Financial instruments

The consolidated entity and parent entity hold the following financial instruments. The table also indicated in respect of income earning financial assets and interest bearing financial liabilities, the effective interest rates at balance sheet date and the period in which they reprice.

			Fixed Interest Maturing					
CONSOLIDATED 2009:	**Weighted average interest rate**	**Non-interest bearing**	**6 months or less**	**6-12 months**	**1-5 years**	**More than 5 years**	**Floating interest rate**	**Total $**
Financial Assets:								
Cash and cash equivalents	5.79%	-	2,000,000	-	-	-	461,902	2,461,902
Trade & other receivables	-	261,882	-	-	-	-	-	261,882

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT (cont'd)

CONSOLIDATED 2009:	Weighted average interest rate	Non-interest bearing	Fixed Interest Maturing 6 months or less	6-12 months	1-5 years	More than 5 years	Floating interest rate	Total $
Financial Assets:								
Available for sale financial assets	-	1,225,644	-	-	-	-	-	1,225,644
Financial Liabilities:								
Trade & other payables	-	124,042	-	-	-	-	-	124,042

CONSOLIDATED 2008:	Weighted average interest rate	Non-interest bearing	Fixed Interest Maturing 6 months or less	6-12 months	1-5 years	More than 5 years	Floating interest rate	Total $
Financial Assets:								
Cash and cash equivalents	6.76%	-	2,500,000	-	-	-	2,062,345	4,562,345
Trade & other receivables	-	476,880	-	-	-	-	-	476,880
Other financial assets	-	-	-	-	-	-	-	-
Available for sale financial assets	-	1,487,416	-	-	-	-	-	1,487,416
Financial Liabilities:								
Trade & other payables	-	553,071	-	-	-	-	-	553,071

PARENT 2009:	Weighted average interest rate	Non-interest bearing	Fixed Interest Maturing 6 months or less	6-12 months	1-5 years	More than 5 years	Floating interest rate	Total $
Financial Assets:								
Cash and cash equivalents	5.79%	-	2,000,000	-	-	-	461,882	2,461,882
Trade & other receivables	-	32,402	-	-	-	-	-	32,402
Other financial assets	-	7,346,792	-	-	-	-	-	7,346,492
Loan to controlled entities	-	-	-	-	-	-	-	-
Available for sale financial assets	-	1,225,644	-	-	-	-	-	1,255,644
Financial Liabilities:								
Trade & other payables	-	124,042	-	-	-	-	-	124,042

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

20. FINANCIAL RISK MANAGEMENT (cont'd)

PARENT 2008:	Weighted average interest rate	Non-interest bearing	Fixed Interest Maturing: 6 months or less	6-12 months	1-5 years	More than 5 years	Floating interest rate	Total $
Financial Assets:								
Cash and cash equivalents	6.76%	-	2,500,000	-		-	2,061,623	4,561,623
Trade & other receivables	-	105,646	-	-		-	-	105,646
Other financial assets	-	7,346,472	-	-		-	-	7,346,472
Loan to controlled entities	-	-	-	-		-	-	-
Available for sale financial assets	-	1,487,416	-	-		-	-	1,487,416
Financial Liabilities:								
Trade & other payables	-	553,071	-	-	-		-	553,071

21. EQUITY - DIVIDENDS

During the year, no dividends were paid or provided for. The franking account disclosures have been calculated using the franking rate applicable at 30 June 2008.

	CONSOLIDATED ENTITY 2009 $	CONSOLIDATED ENTITY 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Dividend franking account				
Franking account balance at end of financial year at 30%	15,650	15,650	-	-

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

22. TENEMENT COMMITMENTS & CONTINGENT LIABILITIES

The consolidated entity has to perform minimum exploration work and expend minimum amounts of money on its tenements. These are varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the consolidated entity.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	280,509	241,198	106,590	136,137
Later than one year but not later than five years	173,590	136,137	106,590	136,137
	454,099	377,335	213,180	272,274

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

	CONSOLIDATED ENTITY		PARENT ENTITY	
(a) Key management personnel compensation	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	293,940	275,182	293,940	275,182
Post-employment benefits	21,665	20,504	21,665	20,504
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	315,605	295,686	315,605	295,686

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the directors' report.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report, point 11 of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(ii) Option holdings

The number of options over ordinary shares in the consolidated entity and parent entity held during the financial year by each director and other key management personnel, including their personally related parties, are set out below:

2009 – Consolidated Entity Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Emmanuel Althaus	833,334	-	-	-	833,334	* 833,334
Rodney M Joyce	1,000,000	-	-	-	1,000,000	1,000,000
Michael J Clifford	3,500,000	-	-	-	3,500,000	3,500,000
Other key management personnel compensation						
Bruce R Acutt	175,000	-	-	-	175,000	175,000
Melinda J Nelmes	25,000	-	-	-	25,000	25,000

2008 – Consolidated Entity Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Emmanuel Althaus	2,896,373	-	1,000,000	1,063,039	833,334	* 833,334
Rodney M Joyce	1,000,000	-	-	-	1,000,000	1,000,000
Michael J Clifford	3,500,000	-	-	-	3,500,000	3,500,000
Other key management personnel compensation						
Bruce R Acutt	308,379	-	(133,379)	-	175,000	175,000
Melinda J Nelmes	25,000	-	-	-	25,000	25,000

2009: Parent Entity Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at end of the year
Directors						
Emmanuel Althaus	833,334	-	-	-	833,334	* 833,334
Rodney M Joyce	1,000,000	-	-	-	1,000,000	1,000,000
Michael J Clifford	3,500,000	-	-	-	3,500,000	3,500,000
Other key management personnel compensation						
Bruce R Acutt	175,000	-	-	-	175,000	175,000
Melinda J Nelmes	25,000	-	-	-	25,000	25,000

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2008: Parent Entity Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at end of the year
Directors						
Emmanuel Althaus	2,896,373	-	1,000,000	1,063,039	833,334	* 833,334
Rodney M Joyce	1,000,000	-	-	-	1,000,000	1,000,000
Michael J Clifford	3,500,000	-	-	-	3,500,000	3,500,000
Other key management personnel compensation						
Bruce R Acutt	308,379	-	(133,379)	-	175,000	175,000
Melinda J Nelmes	25,000	-	-	-	25,000	25,000

All options were vested and exercisable at the end of the year.

* Options are held by Rose Cedar Holdings Pty Ltd as trustee of a trust in which Emmanuel Althaus and his family are discretionary beneficiaries.

(iii) *Share holdings*

The number of shares in the consolidated entity and parent entity held during the financial year by each director and other key management personnel, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009 – Consolidated Entity Name	Balance at the start of the year	Purchases	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors – *Ordinary Shares*					
Emmanuel Althaus	7,035,864	300,000	-	100,000	* 7,235,864
Rodney M Joyce	554,783	-	-	-	554,783
Michael J Clifford	900,218	-	-	-	900,218
Other key management personnel - *Ordinary Shares*					
Bruce R Acutt	400,144	-	-	-	400,144
Melinda J Nelmes	-	-	-	-	-

2008 – Consolidated Entity Name	Balance at the start of the year	Purchases	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors – *Ordinary Shares*					
Emmanuel Althaus	4,841,496	-	2,219,368	25,000	* 7,035,864
Rodney M Joyce	554,783	-	-	-	554,783
Michael J Clifford	900,218	-	-	-	900,218
Other key management personnel - *Ordinary Shares*					
Bruce R Acutt	266,765	-	133,378	-	400,144
Melinda J Nelmes	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2009 – Parent Entity Name	Balance at the start of the year	Purchases	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors – *Ordinary Shares*					
Emmanuel Althaus	7,035,864	300,000	-	100,000	* 7,235,864
Rodney M Joyce	554,783	-	-	-	554,783
Michael J Clifford	900,218	-	-	-	900,218
Other key management personnel - *Ordinary Shares*					
Bruce R Acutt	400,144	-	-	-	400,144
Melinda J Nelmes	-	-	-	-	-

2008 – Parent Entity Name	Balance at the start of the year	Purchases	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors - *Ordinary Shares*					
Emmanuel Althaus	4,841,496	-	2,219,368	25,000	* 7,035,864
Rodney M Joyce	554,783	-	-	-	554,783
Michael J Clifford	900,218	-	-	-	900,218
Other key management personnel - *Ordinary Shares*					
Bruce R Acutt	266,765	-	133,379	-	400,144
Melinda J Nelmes	-	-	-	-	-

* Includes shares held by Rose Cedar Holdings Pty Ltd as trustee of a trust in which Emmanuel Althaus and his family are discretionary beneficiaries.

(c) Loans to key management personnel

There were no loans made during the financial year to directors of the consolidated entity and other key management personnel of the group, including their personally related parties that exceeded $100,000 at any time, (2008: Nil).

(d) Other transactions with key management personnel

1) Directors fees totalling $30,000 were paid to National Diversified Industries (Aust) Pty Ltd ("NDI"), in which Mr E Althaus is a director, during the financial year ended 30 June 2009 (2008: $27,500).

2) Directors fees totalling $30,000 were paid to Minasola Pty Ltd, in which Mr R M Joyce is a director, during the financial year ended 30 June 2009 (2008: $27,500).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

Aggregate amounts of each of the above types of other transactions with key management personnel:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Amounts recognised as expense				
Directors fees	60,000	55,000	60,000	55,000
Aggregate amounts payable to key personnel of the group at balance date relating to the above types of other transactions:				
Current Liabilities (Note 14)	8,250	11,000	8,250	11,000

24. RELATED PARTY TRANSACTIONS

(a) Parent entity

The legal parent entity within the group is PacMag Metals Limited. However, as discussed in note 1(i) – Business Combinations – Coral Gem Pty Ltd is identified as the acquirer in a reverse acquisition of PacMag Metals Limited, effective 18 November 2005. Coral Gem Pty Ltd owns 100% (2008: 100%) of the issued ordinary shares of MIM (USA) Inc.

The ultimate Australian parent entity and ultimate controlling party is PacMag Metals Limited which, at 30 June 2009, owns 100% (2008: 100%) of the issued ordinary shares of Coral Gem Pty Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

(d) Transactions with related parties

The following transactions occurred with related parties of the parent entity during the financial year:

1. PacMag Metals had an agreement with National Diversified Industries (Aust) Pty Ltd ("NDI"), a company associated with Non-Executive Director Mr E Althaus, to reimburse on a monthly basis its share of rental costs and outgoings with respect to the lease agreement on the premises at Level 3, 71 Queens Road, Melbourne until the sooner of:

   - the expiry of the lease on 31 March 2008; or

   - at the date on which the premises are sub-let or other arrangement or renegotiation is possible to reduce the rental payments.

   PacMag Metals Limited paid $Nil during the financial year ended 30 June 2009 (2008: $7,842) toward the rental costs and outgoings, on receipt of a monthly invoice.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

24. RELATED PARTY TRANSACTIONS (cont'd)

2. Effective 1 April 2006, PacMag Metals Limited commenced a service agreement with Giralia Resources NL, a director related entity with Mr Rodney Michael Joyce. The following services are provided by Giralia Resources NL:
   a) accounting and secretarial services;
   b) provision of fully furnished and equipped offices; and

   Giralia Resources NL is remunerated by PacMag Metals Limited on the basis of a service fee of $8,000 per month (plus GST) to cover the above costs.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Management service fee	96,000	96,000	96,000	96,000
Reimbursement for a telephone invoice previously paid by Giralia Resources NL	167	-	167	-
	96,167	96,000	96,167	96,000

3. Under the terms of the Exploration Joint Venture Agreement dated 23 March 2006 between Giralia Resources NL (a director related entity with Mr Rodney Michael Joyce) and PacMag Metals Limited, Giralia Resources NL elected to contribute its 49% share of exploration costs incurred plus 10% administrative costs effective 2 November 2007.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Reimbursement from Giralia Resources NL for their 49% share of exploration costs incurred under the terms of the Exploration Joint Venture Agreement.	32,118	310,858	32,118	310,858
	32,118	310,858	32,118	310,858

Outstanding balances arising from transactions with related parties:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Current receivables				
Amount receivable - director related party	-	5,646	-	5,646

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

24. RELATED PARTY TRANSACTIONS (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Current payables				
Amount payable – director related entity	37,063	49,000	37,063	49,000

No provisions have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(d) Loans from related parties

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Loans to wholly owned subsidiaries				
Amounts receivable – wholly owned subsidiaries	-	-	13,191,643	11,564,396
Less provision for non-recoverability	-	-	(13,191,643)	(11,564,396)
	-	-	-	-

Loans between entities in the wholly owned group are repayable on reasonable notice having regard to the financial stability of the Company. No interest is payable on the loans.

25. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and result of the following subsidiaries, in accordance with the accounting policy described in Note 1(l):

Name of entity	Country of incorporation	Class of shares	Equity holding * 2009 %	Equity holding * 2008 %
Legal parent entity				
PacMag Metals Limited	Australia	Ordinary	-	-

Name of entity	Country of incorporation	Class of shares	Equity holding * 2009 %	Equity holding * 2008 %
Subsidiaries				
Pacific Magnesium Pty Ltd	Australia	Ordinary	100%	100%
Southern Magnesium Pty Ltd	Australia	Ordinary	100%	100%
Coral Gem Pty Ltd	Australia	Ordinary	100%	100%
M.I.M. (U.S.A.) Inc	USA	Ordinary	100%	100%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

25. SUBSIDIARIES (cont'd)

Name of entity	Country of incorporation	Class of shares	Equity holding *	
Subsidiaries			2009 %	2008 %
PM Minerals Pty Ltd	Australia	Ordinary	100%	100%
PM Exploration Pty Ltd	Australia	Ordinary	100%	100%
Formation Resources Inc.	USA	Ordinary	100%	100%
Gold (U.S.A) Investments Pty Ltd	Australia	Ordinary	100%	-
PM Gold Asia Pty Ltd	Australia	Ordinary	100%	-

* *The proportion of ownership interest is equal to the proportion of voting power held.*

26. SHARE BASED PAYMENTS

(a) Employee Options

The Board may offer free options to persons ("Eligible Persons") who are:

(i) full time or part time employees (including a person engaged by the Company under a consultancy agreement); or

(ii) Directors of the company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant, subject to shareholder approval.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within fourteen days after the receipt of a properly executed notice of exercise and application monies. The Company will issue to the option holder, the number of shares specified in that notice. The Company will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

Options may not be transferred other than to an associate of the holder.

Set out below is the summary of options granted under the plan:

Consolidated and Parent Entity

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercise during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
2009			Number	Number	Number	Number	Number	Number
(a)								
17 Nov 05	17 Nov 10	$0.202	1,000,000	-	-	-	1,000,000	1,000,000
17 Nov 05	17 Nov 10	$0.152	1,000,000	-	-	-	1,000,000	1,000,000
(b)								
16 Jun 06	16 Jun 11	$0.252	3,500,000	-	-	-	3,500,000	3,500,000
			5,500,000	-	-		5,500,000	5,500,000
Weighted average exercise price			$0.225				$0.225	

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

26. SHARE BASED PAYMENTS (cont'd)

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercise during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
2008			Number	Number	Number	Number	Number	Number
(a)								
17 Nov 05	17 Nov 10	$0.202	1,000,000	-	-	-	1,000,000	1,000,000
17 Nov 05	17 Nov 10	$0.152	1,000,000	-	-	-	1,000,000	1,000,000
(b)								
16 Jun 06	16 Jun 11	$0.252	3,500,000	-	-	-	3,500,000	3,500,000
			5,500,000	-	-		5,500,000	5,500,000
Weighted average exercise price			$0.225				$0.225	

No options were forfeited during the periods covered by the above table.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2 years (2008: 3 years).

27. AUDITORS REMUNERATION

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
Audit services				
PKF Australian firm				
Assurance services				
Audit services				
- audit and review of financial reports and other audit work under the Corporations Act 2001	39,285	40,767	39,285	40,767
Taxation services				
- tax compliance service, including review of company income tax returns	-	2,270	-	2,270
	39,285	43,037	39,285	43,037

28. EARNINGS PER SHARE

(a) Basic earning per share

The calculation of basic earnings per share at 30 June 2009 was based on the profit/(loss) attributable to ordinary shareholders of $(1,620,595) (2008: ($1,349,268)) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 144,667,639 (2008: 137,574,157), calculated as follows:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

28. EARNINGS PER SHARE

	Consolidated 2009 $	Consolidated 2008 $
Profit/(loss) attributable to ordinary shareholders		
Profit/(loss) for the period	(1,620,595)	(1,349,268)
Profit/(loss) attributable to ordinary shareholders	(1,620,595)	(1,349,268)

Weighted average number of ordinary shares	Consolidated 2009 Ordinary Shares	Consolidated 2008 Ordinary Shares
Weighted average number of ordinary shares at 30 June	144,667,639	137,574,157

(b) Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2009 was based on profit/(loss) attributable to ordinary shareholders of $(1,620,595) (2008: $(1,349,268)) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 144,667,639 (2008: 137,574,157), calculated in accordance with requirements of AASB 133 *Earnings per share*, paragraph 41, as follows:

	Consolidated 2009 $	Consolidated 2008 $
Profit/(loss) attributable to ordinary shareholders (diluted)		
Profit/(loss) attributable to ordinary shareholders	(1,620,595)	(1,349,268)
Profit/(loss) attributable to ordinary shareholders (diluted)	(1,620,595)	(1,349,268)

Weighted average number of ordinary shares (diluted)	2009 Ordinary Shares	2008 Ordinary Shares
Weighted average number of ordinary shares (diluted) at 30 June	144,667,639	137,574,157

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

	CONSOLIDATED ENTITY		PARENT ENTITY	
29. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIE TO OPERATING LOSS AFTER INCOME TAX	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Reconciliation of operating gain/(loss) after income tax to net cash used in operating activities:				
Operating gain/(loss) after income tax	(1,620,595)	(1,349,268)	(2,387,073)	(6,811,909)
Net (gain)/loss from share trading activities	-	(180,687)	-	(180,687)
Net (gain)/loss on sale of available-for-sale assets	(25,116)	-	(25,116)	-
Impairment of available for sale assets	719,789	2,189,719	719,789	2,189,719
Depreciation	980	1,419	980	1,419
Amortisation	1,525	2,200	1,525	2,200
Income tax expense/(benefit)	(225,436)	(753,566)	(225,436)	(655,255)
Net foreing exchange (gain)/loss	(37,422)	15,486	67,547	(9,623)
Provision for non-recoverability in receivables	-	-	1,627,247	5,410,263
Changes in assets and liabilities:				
(Decrease)/increase in current tax liabilities	-	(15,650)	-	-
(Decrease)/increase in provisions	605	15,281	605	15,281
(Decrease)/increase in accounts payable	(72,839)	54,474	(72,838)	54,474
(Decrease)/increase in other non-current asset	-	6,140	-	-
(Decrease)/increase in receivables	7,476	13,188	7,476	14,188
	(1,251,033)	(1,264)	(285,294)	30,070

30. SUBSEQUENT EVENTS

Subsequent to 30 June 2009, PacMag Metals Limited has sold 5,000,000 shares in Peninsula Minerals Limited, generating proceeds of $242,161.

Mystique Gold Project, Western Australia is to be advanced via a joint venture agreement entered with Black Fire Gold Pty Ltd. Black Fire Gold Pty Ltd may earn an initial 60% equity in Mystique by spending $1 million on exploration within 3 years, and 75% interest through total expenditure of $2.5 million in 5 years, with a minimum expenditure commitment of $250,000 before withdrawal. The consolidated entity received $25,000 as a partial refund of Mystique Gold Project tenement acquisition costs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009 (cont'd)

30. SUBSEQUENT EVENTS (cont'd)

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and/or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

1. In the opinion of the directors:

   (a) the financial statements and notes set out on pages 42 to 94, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2009, and of their performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) the financial report also complies with International Financial Reporting Standards, as disclosed in note 1(a).

   (c) the remuneration disclosures that are contained in the Remuneration Report on pages 18 to 25 of the Directors' Report, comply with Australian Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

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

2. The directors have been given the declarations by the Chief Executive Officer and Company Secretary (who performs the Chief Financial Officer function) for the financial year ended 30 June 2009 pursuant to Section 295A of the Corporations Act 2001.

Dated at Perth this 23rd day of September 2009

Signed in accordance with a resolution of the directors:

…………………………………

M J CLIFFORD
Director

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PACMAG METALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of PacMag Metals 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 for both PacMag Metals Limited and the consolidated entity. The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures 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.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au
West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF
Chartered Accountants
& Business Advisers

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 PacMag Metals Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2009 and of its 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*; and

(b) the consolidated financial statements and notes 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 18 to 25 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 PacMag Metals Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Acts 2001*.

PKF
Chartered Accountants

Chris Nicoloff
Partner

Dated in Perth, Western Australia, dated this 23rd day of September 2009

ADDITIONAL SHAREHOLDER INFORMATION
in Compliance with ASX Requirements

The shareholder information set out below was applicable as at 31 August 2009.

1. DISTRIBUTION OF EQUITY SECURITIES

a) Analysis of numbers of shareholders by size of holding – **ordinary full paid shares (PMH):**.

	Number of shareholders	Number of shares	% of issued capital
1 – 1,000	189	91,015	.06%
1,001 – 5,000	559	1,651,883	1.14%
5,001 – 10,000	300	2,343,914	1.62%
10,001 – 100,000	720	26,908,076	18.60%
100,001 and over	185	113,672,751	78.58%
	1,953	144,667,639	100.00%

b) Number of shareholders holding less than a marketable parcel - 592

2. VOTING RIGHTS

At general meetings of the Company, each member entitled to vote may vote in person or by proxy or attorney or representative. On a show of hands, every person present who is a member or a representative of a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each share held.

3. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders in the Company are:

	Number held	% Interest
Giralia Resources NL	15,008,441	10.37%
Yandal Investments Pty Ltd	7,763,567	5.37%

4. UNQUOTED EQUITY SECURITIES

The following unquoted options are on issue:

	Number on Issue	Number of Holders	Name of Persons holding 20% or more	% Interest
Options expiring 29 December 2012 exercisable at $1.102 each (PMHAM)	1,291,585	4	Mr S M Khuwgant	39
			Westpearl Pty Ltd	29
			Josephine L Ryan	26
Options expiring 17 November 2010 exercisable at $0.152 each (PMHAP)	1,000,000	1	M J Clifford	100
Options expiring 17 November 2010 exercisable at $0.202 each (PMHAQ)	1,000,000	1	M J Clifford	100
Options expiring 16 June 2011 exercisable at $0.252 each (PMHAS)	3,500,000	11	M J Clifford	43
			R M Joyce	29
Options expiring 30 June 2011 exercisable at $0.30 each (PMHAI)	2,083,336	5	Professional Managers & Associates Pty Ltd	49

ADDITIONAL SHAREHOLDER INFORMATION
in Compliance with ASX Requirements (cont'd)

5. PARTICULARS OF TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

	Shareholder	No of Shares	% Held
1.	Giralia Resources NL	15,008,441	10.37%
2.	Yandal Investments Pty Ltd	7,763,567	5.37%
3.	HSBC Custody Nominees (Aust) Ltd	6,551,642	4.53%
4.	The Riley Super Fund A/c	5,414,700	3.74%
5.	Breamlea Pty Ltd <J & E Macdonald A/c>	4,555,435	3.15%
6.	Mr Harry Cooper	3,456,836	2.39%
7.	Vesna Nominees Pty Ltd <Althaus Super Fund A/c>	2,850,000	1.97%
8.	Berne No 132 Nominees Pty Ltd <399949 A/c>	2,800,000	1.94%
9.	Mr Stanley Allan Macdonald	2,678,052	1.85%
10.	Tivmoss Investments Pty Ltd <Seymour Meat A/c>	2,376,077	1.64%
11.	Maxigold Holdings Pty Ltd <MGR Thomson Super A/c>	2,195,165	1.52%
12.	Aiken & Associates Ltd	2,126,588	1.47%
13.	National Nominees Limited	1,903,599	1.32%
14.	Strong Investments Pty Ltd	1,712,957	1.18%
15.	ANZ Nominees Limited <Cash Income A/c>	1,531,246	1.06%
16.	Rose Cedar Holdings Pty Ltd	1,440,202	1.00%
17.	Crescent Nominees Limited	1,335,507	.92%
18.	West Stone Super Fund A/c	1,200,000	.83%
19.	P & K Wikman Super Fund A/c	986,236	.68%
20.	Loredana Ines Clifford	900,218	.62%
	Total for Top 20:	68,786,468	47.55%

6. OTHER INFORMATION

PacMag Metals Limited, incorporated and domiciled in Australia, is a publicly listed company, limited by shares.

INTERESTS IN MINING TENEMENTS
at 30 June 2009

PROJECT PARTICULARS	TENEMENT NUMBERS	PACMAG'S INTEREST	
WESTERN AUSTRALIA			
Arrino	ELA 70/3259	100%	
Edingunna Spring	E 52/2057		earning initial 51% interest
Good Pool	E 52/2056		earning initial 51% interest
Marymia	ELA 52/2314	100%	
Mystique			
- Judada Rock	ELA 28/1915	100%	diluting subject to JV
- Manners Flat	ELA 28/1916	100%	diluting subject to JV
SOUTH AUSTRALIA			
Blue Rose	E 3848		51% interest
Olary	E 3849		51% interest
USA (NEVADA)			
Ann Mason claims		100%	
Shamrock claims			subject to option to purchase 100%
USA (NORTH DAKOTA)			
Sentinel claims		100%	subject to royalty

PACMAG METALS LIMITED ABN 73 066 353 231