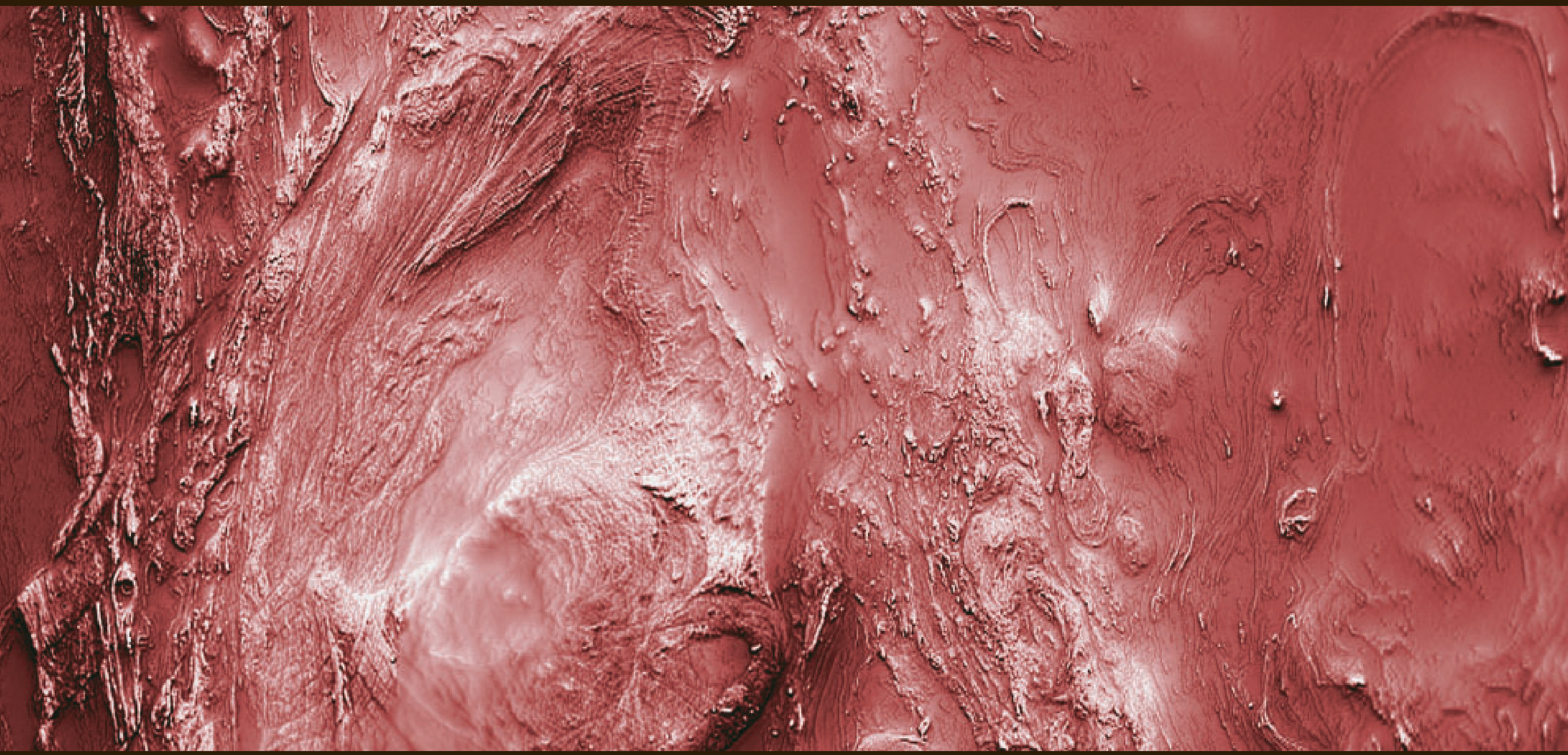
G L E N G A R R Y



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Cover Photo: Aeromagnetic image from an aerial geophysical survey of
Glengarry's Snake Creek Project area in North Queensland, highlighting structures in the underlying bedrock.

Annual Report – 30 June 2007

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Glengarry Resources Limited – Directors and Company Secretary

From left: Geoff James, Bill Manning, Keith McKay, David Richards

Corporate Directory

Directors

K G McKay BSc (Hons), FAusIMM, MAICD
Chairman

D R Richards BSc (Hons), MAIG, MAICD
Managing Director

W F Manning BA, LLB, FAICD

Secretary

G A James, BBus, CA, ACIS

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Chartered Accountants
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Perth WA 6000

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1202 Hay Street
West Perth WA 6005

Mark Edwards
4 Kangaroo Parade
Yallingup WA 6282

Bankers

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1232 Hay Street
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Stock Exchange Listing

Glengarry Resources Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares (ASX code GGY)

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Chairman's Report

Dear Fellow Shareholder

On behalf of the Board of Glengarry Resources, it gives me great pleasure to introduce the Company's Annual Report for the financial year to 30 June 2007.

In the past twelve months Glengarry has continued to focus most of its exploration effort on its wholly owned Greenvale Project in North Queensland. Further drilling has been undertaken on the Maitland copper deposit with very positive results including a best ever intersection of 41 metres @ 3.25% copper in the unweathered primary zone. Additionally, geochemical surveys have defined two new copper anomalies to the north and the south of the existing deposit that may represent new mineralised zones. The new anomalies are yet to be drill tested.

A decision has recently been made to conduct a major resource/reserve drill-out of the potentially economic Maitland copper deposit with the drilling program scheduled to commence next month. Maitland development options include a stand-alone operation or trucking the ore to a nearby third party mill.

In the past year your Company has conducted a dynamic and sustained exploration effort despite unseasonable wet weather at Greenvale and general ongoing problems caused by the "resources boom" such as shortage of drilling rigs, skilled labour shortages and slow return of assays from over worked laboratories.

In addition to ongoing exploration at Maitland, your Company conducted exploration programs for gold, base metals and uranium on several other prospects on the Greenvale Project and on its Cannington and Snake Creek Projects in western Queensland with encouraging results. Further details of this exploration are presented in the Managing Director's Operations Review following my Report.

During the past financial year Glengarry expended a total of $2.21 million on exploration and associated administration costs. A planned expansion of the Company's exploration effort, including hiring additional skilled personnel, will see this amount increased to approximately $5 million in the coming year.

Glengarry is in a strong financial position to fund its ongoing exploration with cash and investments in other public listed companies presently totalling some $9 million. This healthy financial situation is the result of several timely capital raisings and divestments of non-core assets. Key deals were the sale of the small Oasis uranium deposit to Mega Uranium Limited and a share placement to Kagara Zinc Limited who is now Glengarry's largest shareholder with a holding of 16.9%.

There are obvious synergies between our proposed Maitland operation and Kagara Zinc's nearby Balcooma mining operation but Glengarry has retained the right to consider and initiate other options if appropriate. We welcome Kagara Zinc's investment in Glengarry and view it as a vote of confidence in the potential of our Greenvale property.

Earlier this year, your Board decided to strengthen the Company's corporate business section with the appointment of a full-time Chief Financial Officer. Experienced Chartered Accountant Mr Geoff James has assumed this role and also that of Company Secretary. Mr Desmond Kelly and Ms Janelle Burns had undertaken these roles in a part-time capacity. Unfortunately they were not in a position to consider full-time employment with Glengarry due to other commitments and resigned. I would like to thank them for their services over the past 18 months.

Subsequent to the end of the financial year, Non-Executive Director Mr Darren Gordon reluctantly resigned due to other work commitments. Darren's valuable corporate and financial advice will be missed and your Board is presently looking to secure a replacement director with similar experience.

Chairman's Report (continued)

I am happy to advise that your Board is very optimistic about Glengarry's future. We have quality projects with drill targets already defined and adequate funding to implement our planned programs. The Company's share price has more than doubled since this time last year and we look forward to a further positive market re-rating through exploration successes in the coming months.

In conclusion I would like to thank our Managing Director Mr David Richards and his Team for their efforts in the past year. Also thanks to all of our shareholders for your support and I look forward to meeting you personally at the Company's Annual General Meeting which this year will be held at the Celtic Club in Perth on Tuesday the 20th of November.

Keith G McKay

Keith G McKay
Chairman

25 September 2007

Operations Review

Summary

Glengarry Resources Limited is a Perth-based junior exploration company undertaking mineral exploration in Australia. The Company's main focus is exploring for copper, gold, uranium and other base metals on wholly owned projects within Australia (Figure 1).

During the financial year (the year) Glengarry conducted exploration on four wholly owned projects while three other projects where subject to joint ventures managed by other parties.

The Company focused its exploration effort at the **Greenvale Project** located in North Queensland. Exploration was also carried out at the Cannington and Snake Creek Projects in western Queensland and at Rum Jungle in the Northern Territory.

The highlight of exploration for the year was drilling at the Maitland copper deposit on the wholly owned Greenvale Project where Hole MTRC18 intersected 41 metres @ 3.25% copper from 91 metres. The intersection is the best ever recorded at Maitland and confirms potential to upgrade the inferred resource estimated last year of 1.6 million tonnes @ 1.29% copper. An economic scoping study indicates that if the resource is upgraded to a reserve then there is good potential for it to be mined and profitably treated through existing mills in the area. A reserve drilling program is scheduled to commence in October 2007.

There is good potential to significantly increase the resource at Maitland as the existing deposit remains open at depth (below 175 metres) and additional copper geochemical anomalies have been defined north and south of the existing resource.

Elsewhere on the Greenvale Project, Glengarry plans to continue its multi-commodity exploration program with an emphasis on drill testing existing targets as quickly as possible.

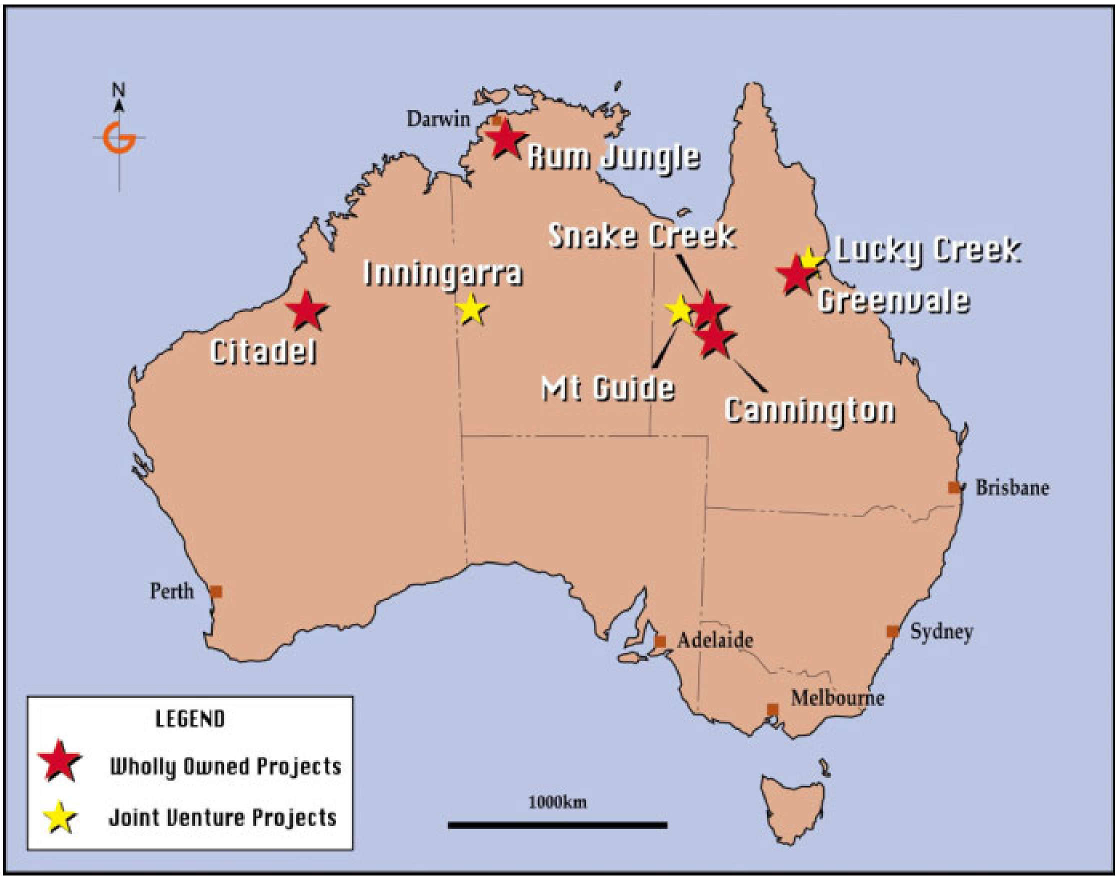

Figure 1: Locations of Current Glengarry Projects

The wholly owned **Cannington Project** is located close to the world-class Cannington silver-lead-zinc mine currently operated by BHP Billiton. Drilling during the year intersected anomalous uranium (0.9 lbs/t U_3O_8) and silver (up to 10 g/t) at the Crackpot prospect which appears to be located within a structural corridor prospective for a number of commodities. This corridor will be further assessed in the coming year.

The **Snake Creek Project** is located approximately 100 kilometres north of Cannington and is bisected by the same prospective corridor. Exploration at Snake Creek defined multiple copper/gold and uranium targets over which infill soil sampling has been carried out. Results of the soil sampling will be used to plan future drill testing.

At the **Citadel Project** in northwest Western Australia, a detailed review of previous exploration data has identified a number of targets warranting follow up drilling. Access negotiations are in progress with the Native Title owners and initial field work is scheduled to commence in 2008.

At the **Rum Jungle Project** located south of Darwin in the Northern Territory, high grade gold mineralisation has been identified at the Acacia North prospect. Drill follow up will be completed as soon as a rig can be secured.

The **Lucky Creek** and **Mt Guide Joint Venture Projects** are located in Queensland close to known world class base metal deposits. Exploration targeting base metal and gold mineralisation was carried out by Beacon Minerals and Summit Resources respectively. Both companies are active explorers and work will continue on these Joint Ventures next year.

A proactive project generation strategy resulted in the acquisition of additional tenements which are yet to be granted but where exploration is planned to commence in 2008.

During the year, Glengarry divested two non-core assets which will provide additional funding and permit the Company to significantly expand its exploration effort in Australia next year. The Charters Towers Project which contained the small Great Britain gold resource was sold to ASX-listed Mantle Mining Corporation Limited. The uranium rights for the Greenvale Project which included the small Oasis uranium deposit were sold to TSX-listed Mega Uranium Limited.

Subsequent to the end of the year, respected miner Kagara Zinc Ltd invested in Glengarry providing an additional $4.375 million dollars for future exploration. Kagara is currently mining high grade base metal deposits at Balcooma, located approximately 40 kilometres northeast of the Maitland copper deposit.

Glengarry's direct exploration expenditure for the year was $1.25 million. This figure is budgeted to increase substantially next year to $4 million as the Company increases it exploration effort in Australia. A strong emphasis will be placed on drilling and other in-ground exploration.

QUEENSLAND PROJECTS

GREENVALE PROJECT (Glengarry 100%)

The Greenvale Project is situated 200 kilometres west of Townsville in North Queensland (Figure 1) and is located immediately east of the mined-out 4.5 million ounce Kidston Gold Mine and just south of Kagara Zinc's current Balcooma base metal operations (Figure 2). The Project area covers approximately 1,860 square kilometres and consists of 10 granted tenements.

During the year, Glengarry sold the uranium rights at Greenvale (including the small Oasis uranium deposit) to TSX listed Mega Uranium Limited and entered into a farm out agreement with ASX listed Beacon Minerals Limited over the tenements comprising the north eastern portion (Lucky Creek JV) of the Project area (Figure 2). Glengarry retains 100% of all mineral rights (excluding uranium) for the western and southern tenements at Greenvale which cover 1,662 square kilometres, approximately 90% of the total Project area.

Field work including drilling, soil sampling and geophysics was carried out at a number of prospects during the year and the results enhanced the economic potential of the Project area.

Maitland Prospect – (Copper)

The primary focus of Glengarry's exploration activities is the Maitland prospect where a potentially economic copper resource has been defined.

Copper ores were mined at the Maitland prospect from 1909 to 1921 with approximate production of 1,250 tonnes @ 17.4% copper. Exploratory drilling in the 1960's confirmed significant copper mineralisation over a 300 metre strike; however, at the time it was interpreted that the deposit had limited depth potential and was too small to warrant further work. A review by Glengarry concluded that the deposit plunged to the south and was consequently open at depth (Figure 3).

Glengarry subsequently completed 3 phases of drilling during the 2005/2006 year confirming that the deposit is open at depth and underscoring the potential for a significant copper-molybdenum deposit at Maitland.

An inferred resource of 1.6 million tonnes @ 1.29% copper was estimated last year based on the drilling conducted by Glengarry and the 1960's drilling. A preliminary economic scoping study based on this resource indicates that there is good potential to upgrade the resource to a reserve that could be mined and profitably treated by a third party owned mill up to several hundred kilometres from the deposit. Initial metallurgical test work also indicates excellent copper recoveries (>90%) in the primary zone which contains approximately 90% of the defined resource.

The resource was constrained by limited data below 50 metres depth and additional drilling was required to test the continuity of high grade mineralisation and for possible extensions. An additional 4 RC percussion holes for 570 metres were completed during the year.

Better results from the 2007 drilling are tabled below:

Hole	From (m)	To (m)	Intersection (m)	Cu %
MTRC17	49	71	22	1.54
MTRC18	76	87	11	1.01
	91	132	**41**	**3.25**
	Including the following higher grade intervals			
	104	117	**13**	**6.31**
	105	106	**1**	**11.75**
	115	117	**2**	**14.30**

True widths are estimated to be 60-70% of the down hole intersections.

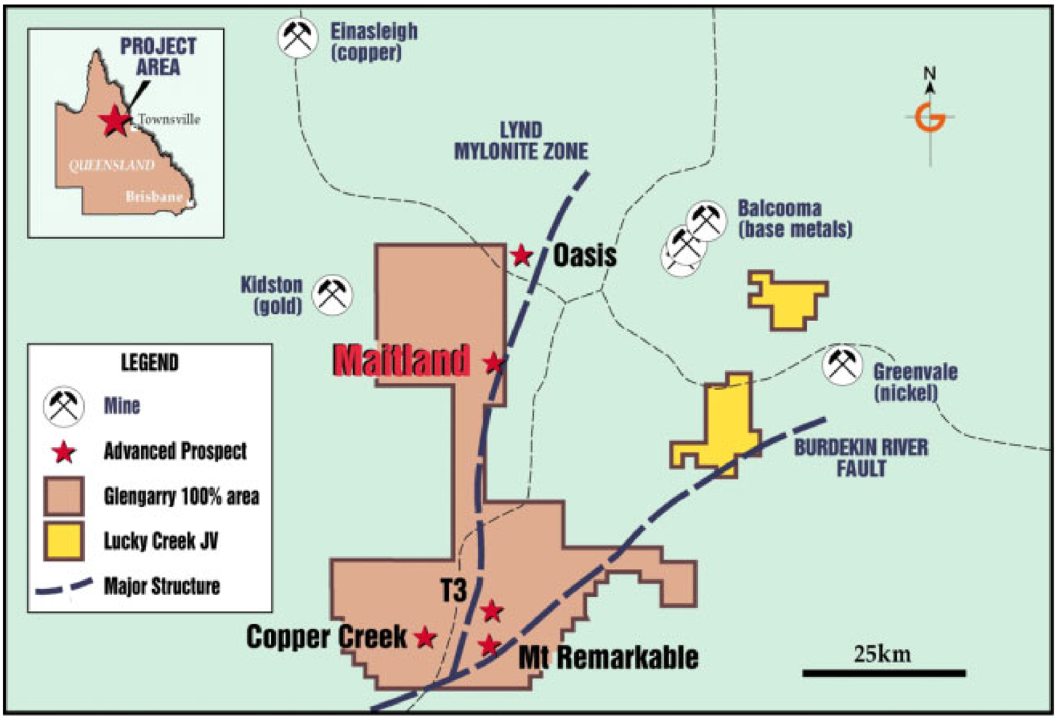

Figure 2: Greenvale Project – Tenure and Prospects

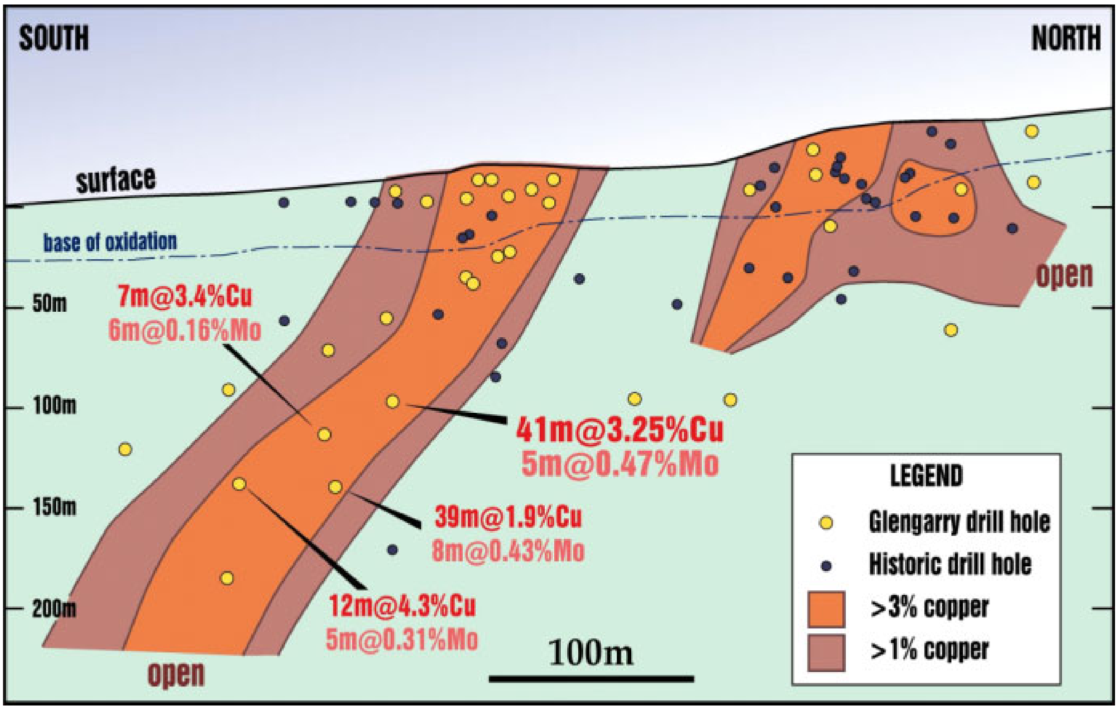

Figure 3: Maitland Copper Prospect – Long Section (looking west)

Hole MTRC18 was drilled into the southern shoot at Maitland (Figure 3 & 4) and the 41 metres @ 3.25% copper intersection reported is the best ever recorded from drilling at Maitland. The hole tested a 100 metre gap between previous intersections and confirmed the continuity of high grade mineralisation which remains open at depth.

High grade molybdenum was also recorded in the Hole MTRC18 with 5 metres @ 0.47% intersected from 87 metres (Figure 4). High grade molybdenum has been intersected in a number of drill holes at Maitland (Figure 3) and could add significant value to a future mining operation; however, it has not yet been considered in any preliminary scoping studies. Holes drilled in the 1960's were not assayed for molybdenum.

The copper and molybdenum mineralisation occurs as disseminated, primary chalcopyrite and molybdenite within demagnetised, silica–epidote–magnetite altered metasediments.

Following the positive results from the latest drilling, the Company has decided to carry out comprehensive resource definition drilling at Maitland. The drilling will

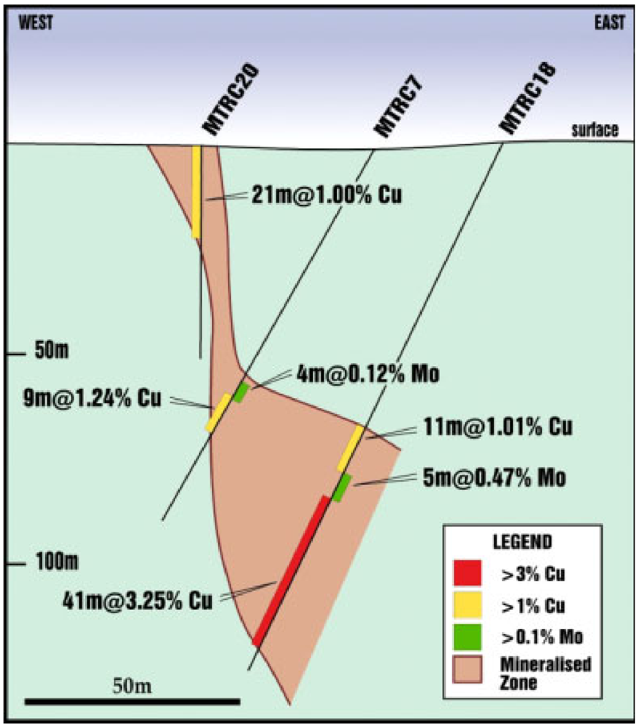

Figure 4: Maitland Prospect – Drill Section showing Hole MTRC18

total 7,000 to 10,000 metres and is scheduled to commence in October 2007. Environmental monitoring studies will also be undertaken to facilitate the application for a Mining Lease in the second half of next year.

Elsewhere at Maitland, geochemical exploration has indicated potential for at least two additional zones of mineralisation. The geochemical exploration comprised separate programs of soil sampling and shallow drilling (Figure 5).

The soil sampling program, carried out immediately northwest of the existing copper resource at Maitland (Figure 5), delineated a 1 kilometre long, northeast trending, plus 100 ppm copper anomaly with values up to 832 ppm copper (Northern Soil Anomaly). The soil anomaly increases in tenor towards the southwest, with the highest values recorded on the southern most line. Additional soil sampling will be completed to define the extent of this potentially mineralised zone.

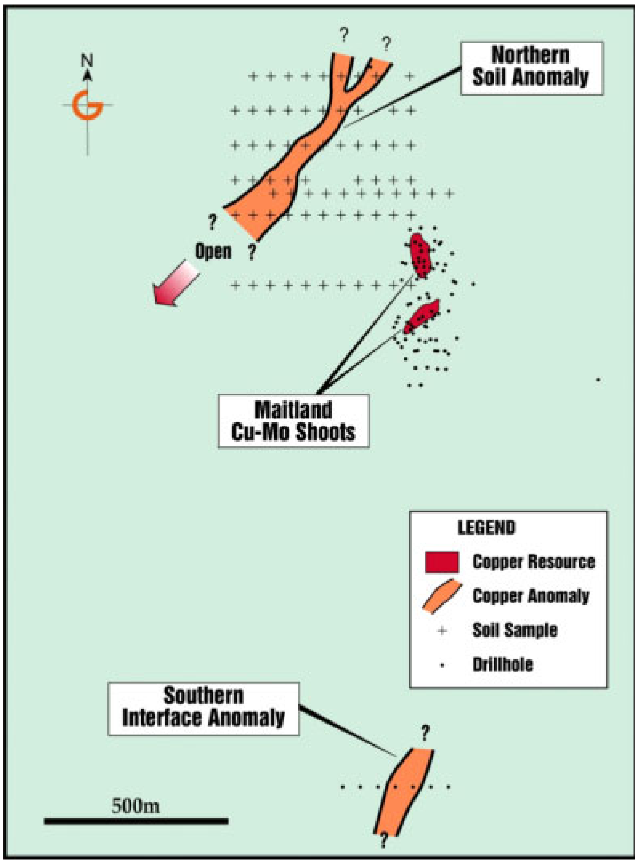

Figure 5: Maitland Prospect – Untested geochemical anomalies

In a separate program, a line of 7 shallow drill holes (average depth 18 metres) spaced 50 metres apart was drilled across the alluvial flats approximately 1.3 kilometres south of the known mineralisation at Maitland (Figure 5). The alluvial flats are part of the Einasleigh River flood plain and comprise transported sediments approximately 6 metres thick which obscure the prospective bedrock. The drill traverse intersected up to 503 ppm copper (Southern Interface Anomaly). Anomalous silver (up to 0.9 ppm), lead (up to 203 ppm) and antimony (up to 229 ppm) were also recorded by the drill hole immediately west of the anomalous copper zone (Figure 5). Elevated metal values were recorded by 3 adjacent holes which define a 150 metre wide anomalous zone that may represent the halo to base metal mineralisation at depth. The anomalous zone is open along strike and additional shallow drilling will be carried out to define the extents of this new target area.

The newly defined geochemical targets combined with the known mineralisation being open at depth means there is excellent potential to significantly increase the size of the resource at Maitland.

T3 Prospect – (Silver/Lead/Zinc/Copper)

The T3 area is underlain by the southern strike extension of the geological sequence which hosts Kagara Zinc's Balcooma base metal mining operations approximately 70 kilometres to the northeast (Figure 2). Soil sampling by Glengarry last year defined two zones of extensive, high order base metal and silver anomalism (Figure 6) consistent with the style of mineralisation being mined by Kagara Zinc at Balcooma. Previous prospecting had located a small outcrop (2 by 2 metres) containing primary sulphide mineralisation and rock chip sampling recorded up to 8% zinc, 11% lead and 52 g/t silver which, given the extent of the soil anomalism, indicated good potential for the discovery of economic mineralisation.

Five RC percussion drill holes totalling 295 metres were drilled at the T3 prospect during the year to test the strong base metal and silver anomalism. Several critical holes could not be drilled due to the inability of the truck mounted drill rig to access some of the sites.

Moderate alteration and elevated silver-lead-zinc values were recorded in most holes with the best intersection

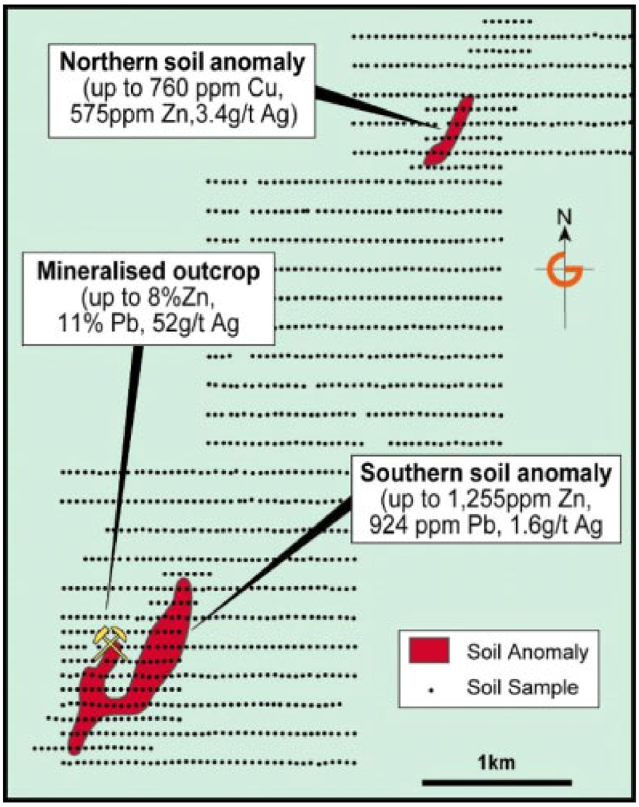

Figure 6: T3 Prospect – Soil sampling showing anomalous areas

being 1 metre @ 7.9 g/t Ag, 0.48% Pb and 1.29% Zn. While the widths and grades are not economic they do indicate the potential for high-grade Balcooma style mineralisation within the prospect area which remains only partially tested. A review of all available data will be completed prior to planning further work at the prospect.

Mt Remarkable Prospect – (Gold)

The geological setting of Mt Remarkable is similar to the 3.5 million ounce Mt Leyshon gold deposit which is located near Charters Towers approximately 230 kilometres to the east-southeast. Exploration in the 1980's and 1990's recorded strongly anomalous gold from creeks draining the Mt Remarkable prospect; however, the source of the anomalous gold was never located.

Soil sampling completed by Glengarry earlier this year defined a zone of strong (>0.1 g/t) gold-in-soil anomalism over 350 metres strike length, including values up to 0.73 g/t gold, coincident with the Burdekin River Fault (Figure 7), a major geological structure (Figure 2).

Seven drill holes totalling 842 metres were drilled at the Mt Remarkable gold prospect to test the soil anomaly.

The drilling intersected weak to moderate alteration coincident with the Burdekin River Fault (Figure 7) indicating potential for a mineralising system; however, assay results were low with the best result being 1 metre @ 1.42 g/t gold from 9 metres depth. The drilling does not appear to have intersected the source of the strong gold in soil anomaly (up to 750 ppb gold) and further work is being considered to locate the source.

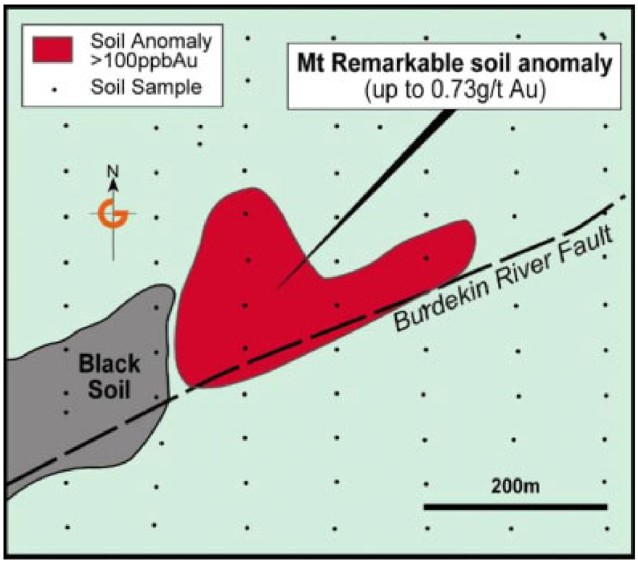

Figure 7: Mt Remarkable Prospect – Soil sampling showing area of >100 ppb gold in soils

Copper Creek Prospect – (Copper/Silver/Gold)

The Copper Creek area is located approximately 44 kilometres south of the Maitland prospect in the same geological sequence (Figure 2). It was identified by 1980's stream sampling which defined a coherent, 1 kilometre long copper anomaly that has never been previously followed up. Assays received for outcrop samples collected in December 2006 recorded up to 3.3% copper, 0.32 g/t gold and 19 g/t silver.

Reconnaissance soil sampling has been carried out along strike of the mineralised outcrop to determine the extent of the anomalous zone. Assay data are pending as at the end of the year.

Greenvale Uranium Rights

In January 2007, the Company sold the Greenvale uranium rights including the small Oasis uranium deposit to Mega Georgetown Pty Ltd; a wholly owned subsidiary of TSX listed Mega Uranium Limited. Details of the sale agreement are given on Page 17 under "Divestments".

Mega holds tenements in the Greenvale region comprising more than 7,000 square kilometres including tenure over the Ben Lomond and Maureen uranium deposits which have combined resources totalling over 17 million pounds of U_3O_8. The Greenvale Project is strategically located between these two deposits. The sale will allow Glengarry to focus on the other commodities at Greenvale while significantly increasing the opportunity to benefit from the development of a uranium deposit in the region. Glengarry's investment in Mega also means the Company is well positioned to benefit from probable changes to the regulatory environment for uranium in Australia.

CANNINGTON PROJECT (Glengarry 100%)

This Project is located 300 kilometres southeast of Mt Isa in western Queensland and within 4 kilometres of the 60 million tonne Cannington silver-lead-zinc mine (Figures 8 and 9). Cannington is owned and operated by BHP Billiton Limited and is the world's largest silver mine producing 7% of total world production. Glengarry's tenements lie within the covered southeast strike extension of the Cannington corridor - a structural/stratigraphic package of rocks hosting the Cannington deposit and hence prospective for similar ore bodies. Exploration potential is also good for iron oxide copper/gold and uranium deposits similar to those discovered elsewhere in the Mt Isa region (Figure 8).

Geophysical surveying delineated a highly conductive anomaly immediately east of the Crackpot prospect where previous sampling had recorded strongly anomalous base metal values in float material. The conductive body was interpreted to be due to sulphide mineralisation and the possible source of the anomalous float.

Two RC, percussion drill holes for a total 290 metres were drilled into the Crackpot geophysical anomaly. Both holes intersected zones of disseminated to semi-massive

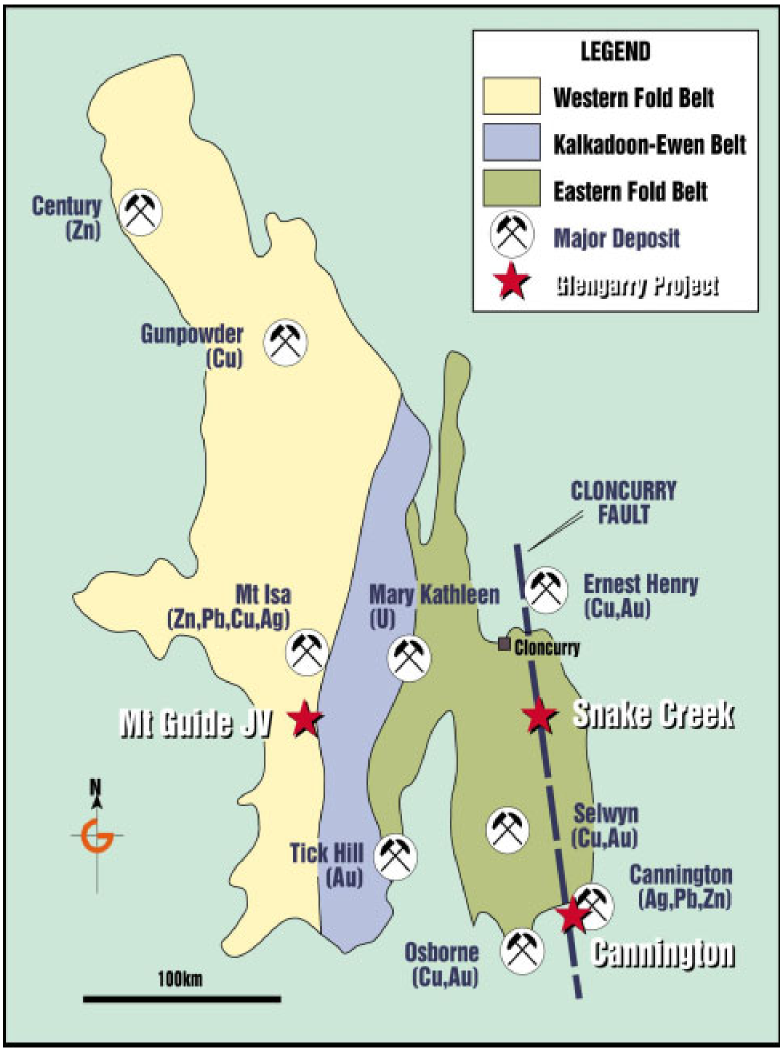

Figure 8: Glengarry Resources Limited – Mt Isa Project Areas

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pyrite mineralisation which is the probable cause of the anomaly. No significant base metal results were recorded; however, both holes intersected strongly anomalous uranium (up to 0.9 lbs/t U_3O_8) associated with elevated silver values (up to 10 g/t).

The anomalous uranium values are coincident with a sheared, pyritic black shale unit which is is thought to define the southern extension of the regionally extensive Cloncurry Fault which aeromagnetic data clearly defines over a 15 kilometre strike length within Glengarry's tenure (Figure 9). Research indicates that the Fault is analogous to other structures associated with structurally controlled, high grade uranium deposits elsewhere in the world.

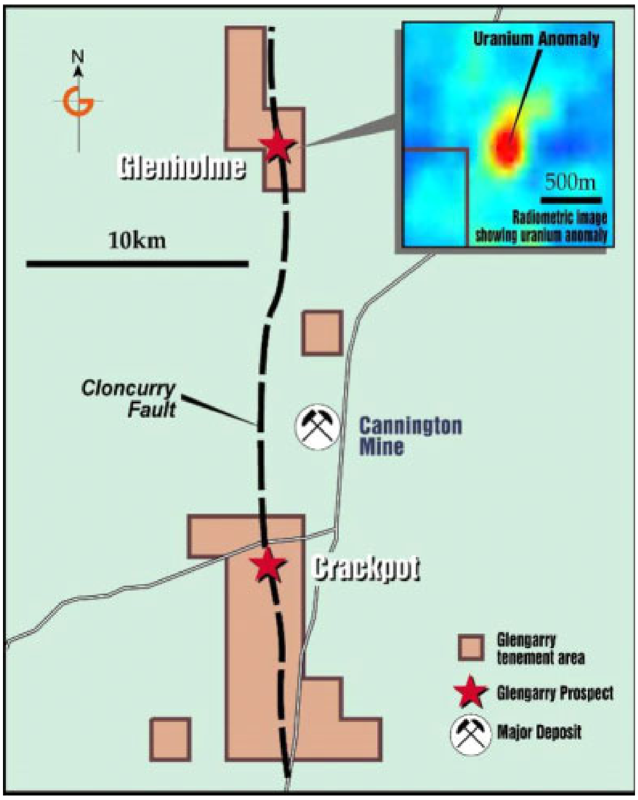

Figure 9: Cannington Project showing prospects

The highly encouraging uranium drill results provide additional justification for Glengarry to conduct uranium exploration on the Cannington Project which is located in same geological sequence that hosts the Mary Kathleen uranium mine (Figure 8). Follow up exploration will comprise soil sampling across the northern Glenholme tenement block where regional radiometric data has defined a strong uranium anomaly (Figure 9) and shallow geochemical drilling across the Crackpot trend on the southern tenement. The Crackpot area is largely obscured by transported sediments and is not conducive to conventional surface exploration techniques.

SNAKE CREEK PROJECT (Glengarry 100%)

The Snake Creek Project is located in northwest Queensland approximately 125 kilometres east-southeast of Mt Isa (Figure 8) and on the northern extension of the Cloncurry Fault. It is prospective for copper-gold and uranium mineralisation.

Until December 2006, the Project was subject to a joint venture agreement with Xstrata Copper who completed wide spaced soil sampling (500 by 100 m) and limited rock chip sampling. Despite recording strongly anomalous copper, gold and uranium, Xstrata withdrew from the JV as they did not consider that potential targets would meet their corporate requirements.

A review completed by Glengarry of all available data generated by Xstrata and previous explorers indicated multiple targets warranting infill soil sampling. Targets include a number of uranium anomalies (Figure 10), multiple copper-gold anomalies defined by Xstrata's wide spaced soil sampling and several EM anomalies defined by BHP in the 1990's.

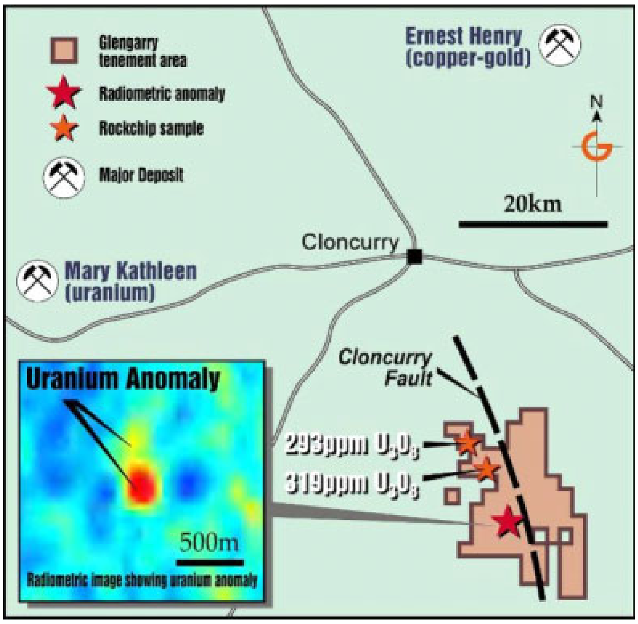

Figure 10: Snake Creek Project showing uranium targets

Rock chip samples collected during reconnaissance field checking, recorded anomalous uranium (up to 319 ppm U_3O_8), copper (up to 0.5%) and gold (up to 1.9 g/t) indicating potential for significant mineralisation within the Project. An infill soil sampling program totalling 675 samples has been completed across the highest priority targets. Assay data had not been received by the end of the year; however the Company is confident that drill follow up will be warranted.

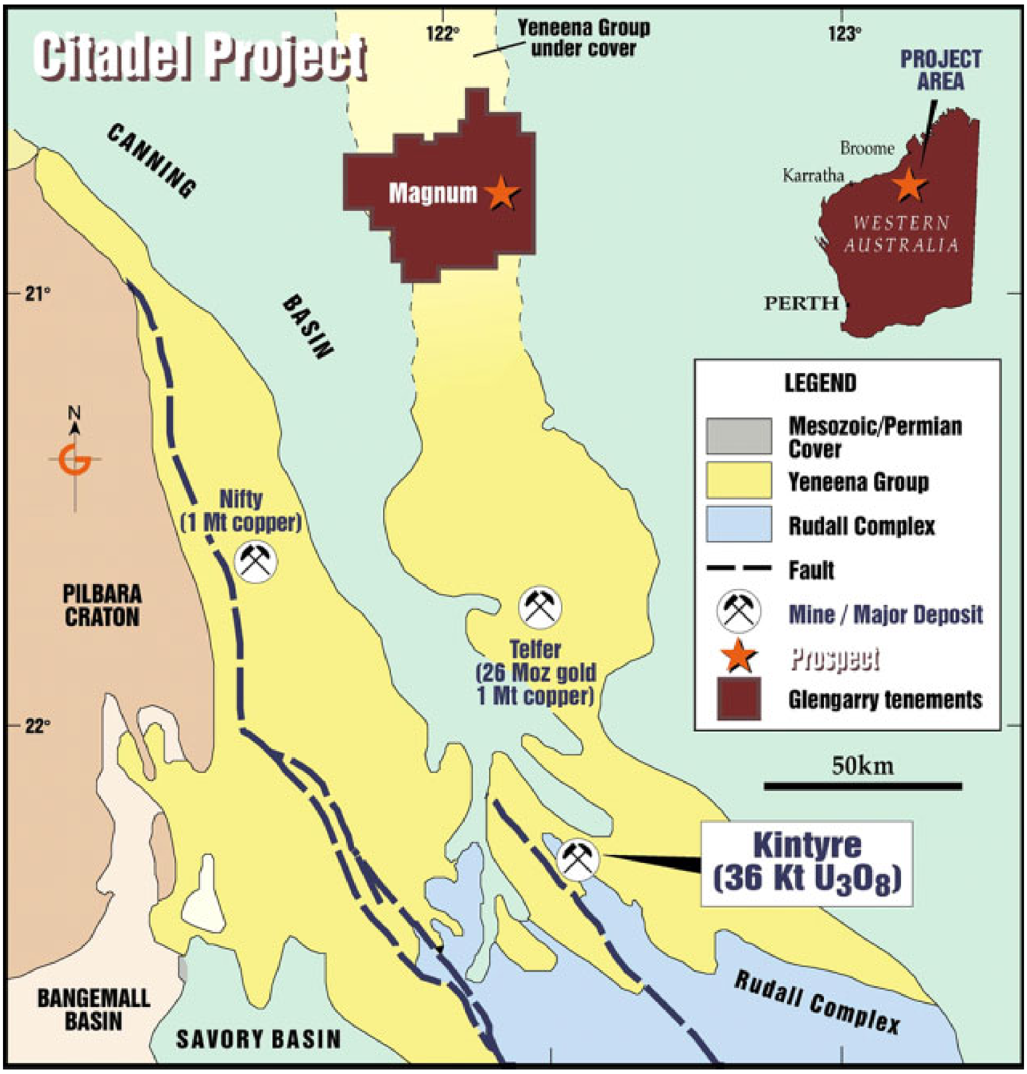

Figure 11: Citadel Project Area

WESTERN AUSTRALIA

CITADEL PROJECT (Glengarry 100%)

The wholly owned Citadel Project covers approximately 1,700 sq. kilometres in the Paterson geological province and is located 100 kilometres north of the Telfer gold mine (Figure 11). The region contains several world class metal deposits including Kintyre (36 Kt tonnes U_3O_8), Telfer (26 M oz gold, 1 Mt copper) and Nifty (1 Mt copper).

The prospective bedrock within the Project area is entirely covered by barren, transported sediments which prevent the effective use of traditional exploration techniques. Consequently, the Project remains very underexplored despite its obvious metal potential.

Limited drilling by previous explorers indicates that the Project is prospective for high grade gold and copper mineralisation. At the Magnum prospect, drilling recorded up to 15 metres @ 14.1 g/t gold (from 464 metres) and 8 metres @ 4.4% copper (from 279 metres) and multiple zones of ore grade mineralisation remain open along strike and at depth. The Project is also considered highly prospective for Kintyre-style uranium deposits but there has been no previous exploration for this commodity.

A detailed review of previous exploration work and regional datasets was completed during the year. Multiple gold/copper/uranium targets have been defined within the Project area which warrant further work. Beyond the immediate Magnum prospect, where follow up diamond drilling is planned along strike of known high grade mineralisation, eight other targets have been indentified where anomalous gold and copper values have been recorded coincident with prospective lithostructural settings. The anomalous geochemical values were recorded in wide spaced aircore drill holes at the interface between post mineralising sedimentary cover and the prospective Proterozoic bedrock. The gold and copper values recorded are similar or better than those encountered in the initial aircore drilling across the Magnum prospect area. Initial follow up exploration will largely comprise infill aircore drilling.

Glengarry had intended to commence field activities at Citadel this year but work has been delayed due to protracted access negotiations with the Martu people who are the Traditional Owners of the southern two thirds of the Project area. Field work is now scheduled to commence during the second quarter of 2008.

NORTHERN TERRITORY

RUM JUNGLE PROJECT (Glengarry 100%)

The Rum Jungle Project comprises three contiguous exploration licences covering an area of approximately 140 square kilometres located 65 kilometres south of Darwin in the Northern Territory (Figure 12). The Project is proximal to the historical Rum Jungle uranium mine (3,530 tonnes U_3O_8) and the Woodcutters lead-zinc mine (~6 Mt @ 12% zinc and 6% lead).

At the Acacia North prospect, drilling by earlier explorers intersected 6 metres @ 11.3 g/t gold (Figure 13) from 72 metres depth. The mineralisation which is open in all directions, is coincident with a mafic sill/sediment contact and geochemically anomalous gold values have been intersected over a 1 kilometre strike length. Attempts to carry out follow up drilling at the prospect during the year were unsuccessful due to the lack of available drill rigs; however, it is hoped to secure a suitable rig early in the coming year.

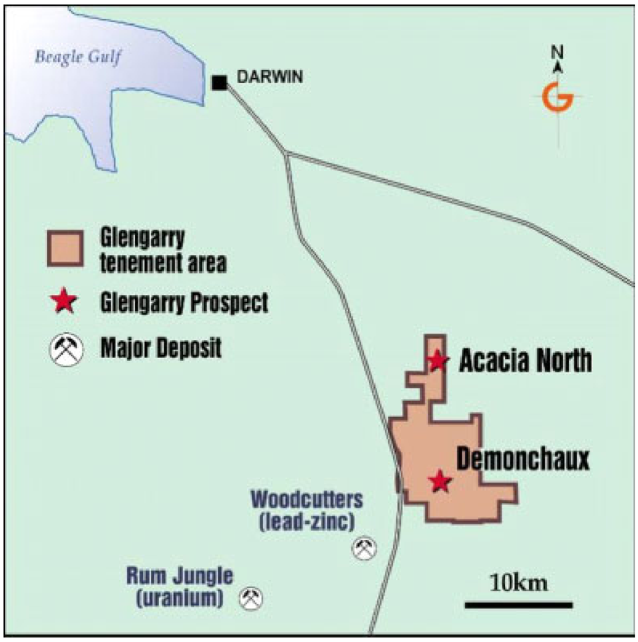

Figure 12: Rum Jungle location plan showing prospects and mineral deposits

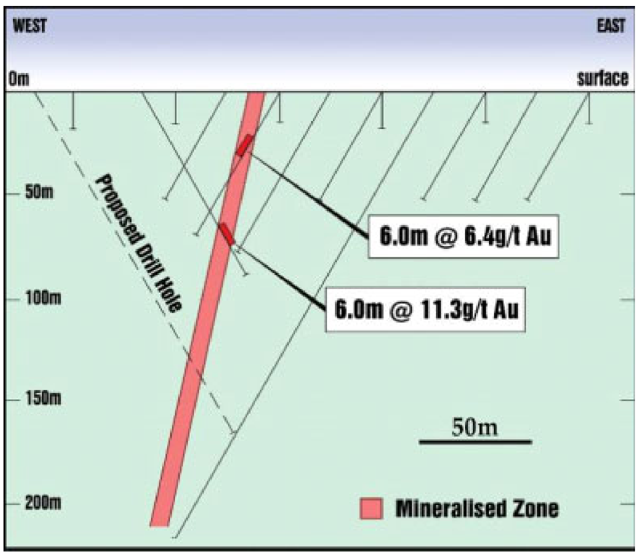

Figure 13: Acacia North drill section

Regional radiometric data defines a number of uranium anomalies within the Project area. Field reconnaissance has been completed across these and a number of rock chip samples submitted for assay. Results are pending, at the end of the year.

Join Venture Farm-Outs

Glengarry has three other properties being managed by joint venture partners.

Lucky Creek JV Project (North Queensland)

The Lucky Creek JV tenements are located immediately northeast of Glengarry's wholly owned Greenvale Project (Figure 2) and are subject to a Joint Venture Agreement with Beacon Minerals Limited (Beacon) which was finalised in November 2006. Under the terms of the Agreement, Beacon can earn an 80% equity in the "Lucky Creek" JV, with Glengarry free carried until the completion of a positive feasibility study.

During the year, Beacon carried out drill testing at the Steam Engine gold prospect and completed an airborne electro-magnetic survey (VTEM) over the northern part of the JV area.

Drilling at the Steam Engine prospect confirmed the continuity and depth extensions of gold mineralisation defined by drilling in the early 1990s. Better intersections recorded by Beacon included 6 metres @ 5.5 g/t gold from 95 metres, 12 metres @ 3.5 g/t gold from 10 metres and 5 metres @ 4.5 g/t gold from 19 metres.

The VTEM survey was designed to define buried massive sulphide deposits similar to those currently being mined by Kagara Zinc at Balcooma approximately 20 kilometres to the northwest (Figure 2). Previous drilling within the JV area has reported low to moderate grade gold and base metal mineralisation at Galah Dam (up to 16 m @ 4.5% Zn, 0.5% Cu, 1.1 g/t Au, 13 g/t Ag) indicating potential for economic mineralisation.

Further drilling within the JV area will be planned once data from the VTEM survey, which was flown late in the year, have been processed and assessed.

Mt Guide JV Project (Western Queensland)

The Mt Guide Project is located in western Queensland approximately 35 kilometres south of Mt Isa and is prospective for base metal and gold mineralisation. The Project was joint ventured to Summit Resources Limited in March 2005. The tenement covers 13 kilometres of the southern strike extension of the Mt Isa Paroo Fault, which is known to be the structural control on a number of world class deposits to the north including the Mt Isa and Hilton base metal mines.

Glengarry has a 10% Joint Venture interest which is to be free carried until completion of a Bankable Feasibility Study.

During the year, Summit completed an IP geophysical survey comprising a total 100 line kilometres over the prospective 13 kilometres strike extension of the Mt Isa Paroo Fault. Due to corporate activity related to Paladin Resources partial takeover of Summit, the results from the IP survey have not yet been fully assessed but will be used to target additional drilling next year.

Inningarra JV Project (Northern Territory)

The Inningarra Project is located in the Northern Territory approximately 35 kilometres southwest of the multi-million ounce Callie gold deposit near the southern margin of the prospective Tanami-Granites geological complex. Rocks belonging to the prospective Dead Bullock Formation, which hosts the Callie Deposit, are interpreted to occur beneath younger transported sediments which cover most of the 193 square kilometre property.

Glengarry entered into a joint venture with Newmont Tanami Pty Ltd in 2003 whereby Newmont must spend $275,000 to earn 70% equity in the Inningarra Project. Newmont is responsible for negotiating access to the tenement with the Traditional Owners. These negotiations are yet to be finalised and exploration has not yet commenced.

Abbreviations

Ag	Silver
Au	Gold
Cu	Copper
EPM	Exploration Permit for Minerals
GGY	Glengarry Resources Limited
g/t	grams per tonne
IP	Induced Polarisation
JORC	Joint Ore Reserve Committee
JV	Joint venture
km	kilometres
Kt	Thousand tonnes
lbs/t	Pounds per tonne
Mo	Molybdenum
Moz	Million ounces
Mt	Million tonnes
m	metres
Pb	Lead
ppb	parts per billion (1ppb = 0.001 gram per tonne)
ppm	parts per million (1ppm = 1 gram per tonne)
RC	Reverse Circulation (drilling)
U_3O_8	Uranium oxide
Zn	Zinc

CORPORATE MATTERS

CASH POSITION AND INVESTMENTS

At the end of June 2007, Glengarry had approximately $1.04 million in cash.

Glengarry investments in other public listed companies were valued at approximately $5.5 million.

EXPLORATION EXPENDITURE

Glengarry expended a total of $2.21 million on exploration and associated administration costs in the year under review. Expenditure on direct exploration was approximately $1.25 million compared with $1.47 million dollars last year. Administration costs increased 23% to approximately $965,000.

The Company's commitment to drill out the Maitland copper deposit combined with its intention to maintain a dynamic exploration program on the other Australian Projects will result in budgeted expenditure being approximately 175% higher next year. Administration costs will also rise due to the employment of additional staff.

CAPITAL RAISINGS

During September 2006, the Company undertook a capital raising that raised $1,632,166 (before costs). The capital raising was completed in two parts – a placement to clients of Patersons Securities Limited and an offer to shareholders to participate in the Company's Share Purchase Plan (SPP). A placement of 24,000,000 ordinary shares at an issue price of 4.2 cents each to raise $1,008,000 was made to sophisticated and professional investors who were clients of Patersons. Under the SPP, 192 shareholders participated in the SPP raising a total of $624,166.

Subsequent to the end of the year, Glengarry announced on 3 August 2007 that it had raised $4,375,000 via a placement of 35,000,000 ordinary shares fully paid at 12.5 cents per share to Kagara Zinc Ltd. The shares were issued at a premium to the share price. The funds will be used to aggressively expand the Company's exploration effort on its Australian Projects.

As at 25 September 2007, Glengarry Resources Limited had 284,177,528 fully paid shares on issue and a total of 4,100,000 unlisted options.

DIVESTMENTS

The Charters Towers Project was sold to Mantle Mining Corporation Limited which listed on the ASX on 14 November 2006. Glengarry has been allocated 3,000,000 shares in Mantle (equating to some 6.5% of Mantle Mining) which are escrowed for 12 months from the date of listing.

The Company announced the sale of the Greenvale uranium rights on 25 January 2007 to Mega Georgetown Pty Ltd, a wholly owned subsidiary of TSX listed Mega Uranium Limited. In return for the Greenvale uranium rights, Glengarry received 750,000 Mega shares (escrowed until 13th July 2007) and a 1% NSR on future uranium production from the Greenvale Project. Subsequent to the end of the year, Glengarry sold 175,000 Mega shares realising $963,061 after costs.

NEW APPOINTMENTS

Mr Geoffrey James was appointed as Company Secretary and Chief Financial Officer on 19 March 2007. Mr James is a Chartered Accountant, a member of Chartered Secretaries Australia and has approximately 20 years relevant industry experience. He was formally the Group Financial Accountant with Clough Limited where he was employed since January 1996. The appointment is a new full time position.

Previous Joint Company Secretaries, Mr Des Kelly and Ms Janelle Burns, who were operating in a part time role, stepped down on 30 March 2007.

Subsequent to the end of the year, Glengarry announced on 23 July 2007 that Mr Darren Gordon stepped down as a non-executive Director due to other work commitments. It is the Company's intention to appoint another non-executive Director as soon as a suitably qualified and experienced individual can be identified.

David Richards
25 September 2007

Directors' Report

Your directors present their report on the Consolidated Entity ("Group") consisting of Glengarry Resources Limited ("Glengarry" or "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2007.

1. Directors

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

K G McKay

D R Richards

W F Manning

D P Gordon was a director from the beginning of the financial year until his resignation on 23 July 2007.

2. Principal activities

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

3. Review of operations

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

	2007 $	2006 $
Revenue	**90,903**	86,798
Other income	**4,696,254**	41,658
	4,787,157	128,456
Profit/(loss) before income tax expense	**3,553,405**	(1,927,436)
Income tax expense	–	–
Profit/(loss) attributable to members of Glengarry Resources Limited	**3,553,405**	(1,927,436)

Financial Position

During the year the Company had a net increase in contributed equity of $1,684,427 (from $9,246,778 to $10,931,205) as a result of:

- a placement of 24,000,000 ordinary shares at 4.2 cents each;
- an issue pursuant to a share purchase plan of 14,761,000 ordinary shares at 4.2 cents;
- the exercise of employee options resulting in the issue of 1,350,000 ordinary shares at prices between 10 cents and 15 cents each; and
- payment of share issue transaction costs of $103,739.

At the end of the financial year the Company had net cash balances of $1,051,150 (2006: $1,475,251) and net assets of $9,093,777 (2006: $4,164,991).

3. Review of operations (continued)

Total liabilities amounted to $279,641 (2006: $245,964) and were limited to trade and other payables and employee entitlements.

Exploration

During the year Glengarry focussed its exploration effort at the Greenvale Project located in North Queensland. Significant mineralisation was intersected at the Maitland copper-molybdenum prospect and further drilling on this target will be a priority in 2007/2008. Exploration was also carried out at the Cannington and Snake Creek Projects in western Queensland and at Rum Jungle in the Northern Territory. At the Citadel Project in northwest Western Australia, a number of targets have been identified for drilling.

The Company has three projects that are subject to farm-out joint venture agreements and exploration on these properties is being managed by other companies. Glengarry sold the Charters Towers Project in North Queensland to Mantle Mining Limited. Glengarry also sold the uranium rights on the Greenvale Project to Mega Uranium Limited.

Corporate

On 26 September 2006 the Company raised a total of $1,008,000 via a placement of 24,000,000 ordinary shares at 4.2 cents each. On 11 October 2006 the Company raised a total of $624,166 via an issue of 14,861,000 ordinary shares at 4.2 cents each pursuant to a share purchase plan. During the year the Company raised a total of $156,000 via the exercise of employee options, resulting in the issue of 1,350,000 ordinary shares at prices between 10 cents and 15 cents each.

4. Significant changes in the state of affairs

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

5. Matters subsequent to the end of the financial year

On 3 August 2007 the Company announced that it had issued 35,000,000 ordinary shares at 12.5 cents per share to Kagara Zinc Ltd. The placement raised $4,375,000.

The Company has investments in listed companies and these are recorded in the Balance Sheet at fair value. The fair value of these investments at 30 June 2007 was $5,242,707. As at 18 September 2007 the fair value of these investments has reduced by $954,144.

No other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

6. Likely developments and expected results of operations

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

7. Environmental regulation

The consolidated entity is subject to the environmental laws and regulations imposed under the Mining Act 1978 (Western Australia), the Mineral Resources Act 1989 (Queensland) and the Mining Act (Northern Territory) depending on the activities being undertaken. The Company is currently engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a license or permit to explore. Compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve. There were no known breaches of any environmental laws or regulations during the year.

8. Information on directors

K G McKay, BSc (Hons), FAusIMM, MAICD *Chairman - Non-Executive Age 61*

Experience and expertise

Independent non-executive director appointed 26 August 2004. Appointed Chairman 23 November 2004. Geologist with 39 years experience in the mining industry as a senior executive, director and chairman. Former Chairman of Gindalbie Metals Limited and former Managing Director of Gallery Gold Limited and Battle Mountain (Aust.) Inc.

Other directorships

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

Gindalbie Metals Limited (appointed October 1997, resigned May 2006)

Special responsibilities

Chairman of the Board
Member of the Remuneration Committee
Member of the Audit Committee

D R Richards, BSc (Hons), MAIG, MAICD *Managing Director Age 46*

Experience and expertise

Managing Director appointed 1 September 2003. Geologist with 25 years experience in the mining industry as a senior executive. Former Chief Geologist, New Projects Australia of Auriongold Limited.

Other directorships

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

Special responsibilities

Managing Director

W F Manning BA, LLB, FAICD *Non-Executive Director Age 60*

Experience and expertise

Independent non-executive director appointed 10 March 2006. Resources lawyer with over 31 years experience in Perth, Brisbane and Melbourne. He is currently Chairman of the Lung Institute of WA (Inc) (previously the Asthma Allergy Research Institute (Inc)) and a director of PSL Energy Services Australia Limited. He has previously been a director of Wiluna Mines Limited, Australian Mining & Petroleum Law Association Limited, Queensland Cement Limited and Cement Australia Limited.

8. Information on directors (continued)

Other directorships

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

Special responsibilities

Chairman of the Remuneration Committee
Chairman of the Audit Committee

D P Gordon CA, FFin, ACIS *Former Non-Executive Director Age 35*

Experience and expertise

Independent non-executive director appointed 10 March 2006 and resigned on 23 July 2007. Mr Gordon is a Chartered Accountant with over 15 years experience in the mining sector. He is currently Chief Financial Officer of Gindalbie Metals Limited.

Other directorships

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

Special responsibilities

Former Chairman of the Audit Committee
Former Member of the Remuneration Committee

Company Secretary
G A James BBus, CA, ACIS

Experience and expertise

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

Special responsibilities

Company Secretary
Chief Financial Officer

9. Directors' interests in shares and options

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

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
K G McKay	–	1,419,000	–	–
D R Richards	749,000	250,000	–	2,000,000
W F Manning	250,000	–	–	–

10. Meetings of directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2007 and the number of meetings attended by each director were:

	Meetings of Directors		Meetings of Committees			
			Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
K G McKay	10	10	*	*	2	2
D R Richards	10	10	*	*	*	*
D P Gordon	10	9	2	1	2	2
W F Manning	10	10	2	2	2	2

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

* – denotes that the director is not a member of the relevant committee

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

11. Remuneration report

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

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

The information provided under headings A to D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by the *Corporations Act 2001* and the Corporations Regulations 2001 which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

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

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

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

11. Remuneration report (continued)

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

The framework currently consists of fixed salaries.

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current and prior year. Over the past 5 years, the consolidated entity was involved in mineral exploration and did not derive a profit and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly. During the same period, average executive remuneration has been maintained in accordance with industry standards.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also has obtained the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Non-executive directors' fees

Non-executive directors' remuneration consists of set fee amounts and statutory superannuation. The current base remuneration was last reviewed with effect from 22 May 2007. Directors do not receive additional committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at $300,000.

Retirement allowances for directors

There is no provision for retirement allowances for non-executive directors.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits
- long-term incentives through participation in the Employee Incentive Scheme and
- other remuneration such as superannuation.

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

11. Remuneration report (continued)

- *Base pay*

  Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

  Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

  There are no guaranteed base pay increases included in any senior executives' contracts.

- *Benefits*

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

- *Retirement benefits*

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

- *Employee Incentive Scheme*

  Information on the Employee Incentive Scheme is set out in Note 27 on pages 67 to 69.

B Details of remuneration (audited)

Details of the remuneration of the directors and the key management personnel of Glengarry Resources Limited for the parent and the consolidated entity are set out in the following tables.

2007	Short-term benefits	Post-employment benefits	Share-based payments	
Name	**Cash salary and fees $**	**Superannuation $**	**Options $**	**Total $**
Directors of Glengarry Resources Limited				
K G McKay (1)	87,881	34,863	–	122,744
D R Richards (2)	208,057	41,943	17,800	267,800
D P Gordon	45,872	4,128	–	50,000
W F Manning	45,872	4,128	–	50,000
Other key management personnel				
K M Seymour (3)	162,312	12,688	8,900	183,900
G A James (4)	42,342	3,811	11,000	57,153
D J Kelly (5)	19,369	–	7,120	26,489
J P Burns (5)	30,618	–	5,340	35,958
Total	**642,323**	**101,561**	**50,160**	**794,044**

11. Remuneration report (continued)

(1) K G McKay – remuneration includes $47,744 for specific consulting services provided.

(2) D R Richards - remuneration for the year does not include the value of the unvested portion of share based payments of $33,200.

(3) K M Seymour - remuneration for the year does not include the value of the unvested portion of share based payments of $16,600.

(4) G A James was appointed as Company Secretary/Chief Financial Officer on 19 March 2007. Remuneration for the year does not include the value of the unvested portion of share based payments of $29,250.

(5) Mosman Management Pty Ltd is the company providing the services of Mr Kelly (Joint Company Secretary and Chief Financial Officer) and Ms Burns (Joint Company Secretary and Company Accountant). Mr Kelly and Ms Burns resigned on 31 March 2007. Mosman Management pays the salaries of Mr Kelly and Ms Burns.

2006	Short-term benefits	Post-employment benefits	Share-based payments	
Name	Cash salary and fees $	Superannuation $	Options $	Total $
Directors of Glengarry Resources Limited				
K G McKay	57,463	5,172	–	62,635
D R Richards (1)	149,800	14,803	19,100	183,703
D P Gordon (2)	14,233	1,281	–	15,514
W F Manning (3)	14,233	1,281	–	15,514
A T Harris (4)	73,902	1,942	–	75,844
I J Gordon (5)	12,949	1,165	–	14,114
Other key management personnel				
K M Seymour (6)	123,836	11,145	9,550	144,531
D J Kelly (7)	4,000	–	7,640	11,640
J P Burns (7)	13,467	–	5,730	19,197
Total	**463,883**	**36,789**	**42,020**	**542,692**

(1) D R Richards - remuneration for the year does not include the value of the unvested portion of share based payments of $51,000.

(2) D P Gordon was appointed as a director on 10 March 2006.

(3) W F Manning was appointed as a director on 10 March 2006.

(4) A T Harris resigned as a director on 10 March 2006.

(5) I J Gordon resigned as a director on 28 November 2005.

(6) K M Seymour - remuneration for the year does not include the value of the unvested portion of share based payments of $25,500.

(7) Mosman Management Pty Ltd is the company providing the services of Mr Kelly (Joint Company Secretary and Chief Financial Officer) and Ms Burns (Joint Company Secretary and Company Accountant). Mr Kelly and Ms Burns were appointed on 10 March 2006. Mosman Management pays the salaries of Mr Kelly and Ms Burns. Remuneration for the year does not include the value of the unvested portion of share based payments of $35,700 (Kelly - $20,400, Burns - $15,300).

C Service Agreements (audited)

Remuneration and other terms of employment for the Managing Director, Exploration Manager and Company Secretary/Chief Financial Officer are formalised in service agreements.

11. Remuneration report (continued)

The agreements for the Managing Director, Exploration Manager and Company Secretary/Chief Financial Officer provide for the provision of other benefits including car allowances and participation, when eligible, in the Employee Incentive Scheme.

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

D R Richards, *Managing Director*

- Term of agreement – no set term, notice period of six months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $250,000, to be reviewed annually. Mr Richards' remuneration was reviewed and increased to $265,000 effective 1 July 2007. Provision of four weeks annual leave.

K M Seymour, *Exploration Manager*

- Term of agreement – no set term, notice period of three months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $175,000, to be reviewed annually. Mr Seymour's remuneration was reviewed and increased to $187,250 effective 1 July 2007. Provision of four weeks annual leave.

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

- Term of agreement – no set term, notice period of three months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $160,000, to be reviewed annually. Mr James' remuneration was reviewed and increased to $168,000 effective 1 July 2007. Provision of four weeks annual leave.

D Share-based compensation (audited)

Options are granted under the Employee Incentive Scheme which was approved by shareholders at the 2004 annual general meeting. All staff are eligible to participate in the scheme (including executive directors) who have been continuously employed by the consolidated entity for a period of at least six months unless the directors in their absolute discretion determine otherwise.

Options are granted under the scheme for no consideration and are granted for a period of up to 5 years.

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

Grant date	Expiry date	Exercise price	Value per option at grant date (1)	Vesting date
10 April 2006	10 April 2011	13.0 cents	$0.0356	10 April 2007
10 April 2006	10 April 2011	15.0 cents	$0.0332	10 April 2008
19 March 2007	19 March 2012	10.0 cents	$0.0440	Vested
19 March 2007	19 March 2012	11.5 cents	$0.0410	19 March 2008
19 March 2007	19 March 2012	13.5 cents	$0.0380	19 March 2009

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

11. Remuneration report (continued)

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

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is determined by the directors which shall be not less than 125% of market price on the date upon which the directors first resolved to grant the options.

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

	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2007	2006	**2007**	2006
Directors of Glengarry Resources Limited				
K G McKay	**–**	–	**–**	–
D R Richards	**–**	2,000,000	**500,000**	500,000
D P Gordon	**–**	–	**–**	–
W F Manning	**–**	–	**–**	–
Other key management personnel				
K M Seymour	**–**	1,000,000	**250,000**	250,000
G A James	**1,000,000**	–	**250,000**	–
D J Kelly	**–**	800,000	**–**	200,000
J P Burns	**–**	600,000	**–**	150,000

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

The Black-Scholes model inputs for options granted during the year ended 30 June 2007 included:

Grant date	19 March 2007	19 March 2007	19 March 2007
Expiry date	19 March 2012	19 March 2012	19 March 2012
Quantity	250,000	250,000	500,000
Exercise price	$0.100	$0.115	$0.135
Consideration	Nil	Nil	Nil
Share price at grant date	$0.08	$0.08	$0.08
Expected price volatility of the Company's shares	65%	65%	65%
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	6%	6%	6%

11. Remuneration report (continued)

E Additional information (unaudited)

Given Glengarry Resources Limited is involved in mineral exploration and Company performance is measured by exploration success, the remuneration of the persons referred to above is not dependent on the satisfaction of individual performance conditions other than share price appreciation.

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
D R Richards	11.4%	–	(5,000)	–	(5,000)
K M Seymour	8.3%	–	22,500	–	22,500
G A James	29.0%	40,250	22,500	–	62,750
D J Kelly	–%	–	16,000	–	16,000
J P Burns	–%	–	10,500	–	10,500

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year. No options were expensed during 2007 for D J Kelly and J P Burns as no options vested.

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

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date, representing the difference between the Company's share price and the exercise price of the options.

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

12. Loans to directors and executives

There are no loans to directors or executives.

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

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

	Date of grant	Options granted
G A James, *Company Secretary/Chief Financial Officer*	19 March 2007	1,000,000

14. Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
10 April 2006	10 April 2011	11.0 cents	600,000
10 April 2006	10 April 2011	13.0 cents	750,000
10 April 2006	10 April 2011	15.0 cents	1,500,000
19 March 2007	19 March 2012	9.0 cents	125,000
19 March 2007	19 March 2012	10.5 cents	125,000
19 March 2007	19 March 2012	11.5 cents	250,000
19 March 2007	19 March 2012	12.5 cents	250,000
19 March 2007	19 March 2012	13.5 cents	500,000
			4,100,000

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

15. Shares issued on the exercise of options

The following ordinary shares of Glengarry Resources Limited were issued during the year ended 30 June 2007 on the exercise of options granted under the Glengarry Resources Limited Employee Share Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options originally granted	Issue price	Number of shares issued
11 February 2005	15 cents	250,000
10 April 2006	11 cents	850,000
19 March 2007	10 cents	250,000

16. Insurance of officers

During the financial year, Glengarry Resources Limited paid a premium of $25,530 to insure the directors, executive officers and secretaries of the Company.

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

17. Proceedings on behalf of the Company

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

17. Proceedings on behalf of the Company (continued)

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

18. Non-audit services

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

Details of the amounts paid or payable to the auditor for 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 non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

	$
KPMG Australian Firm:	
Taxation services	**11,322**

19. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 31.

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

D R Richards
Managing Director
Perth, Western Australia

25 September 2007

KPMG

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

To: the directors of Glengarry Resources Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

T R Hart
Partner

Perth
25 September 2007

Corporate Governance Statement

Glengarry Resources Limited (the "Company") and its Board are committed to achieving and demonstrating high standards of corporate governance. This statement sets out the main corporate governance practices of the Company during the financial year, providing disclosure in accordance with the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by the ASX Corporate Governance Council. Disclosure is made at the end of this statement of non-compliance with the recommendations.

Further details of the various charters, policies, codes and procedures that document the Company's corporate governance practices are set out in the Company's website at www.glengarry.com.au

The Board of Directors and Management

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

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

The Board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the Company's website at www.glengarry.com.au. The charter details the Board's composition and responsibilities.

Board Members

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

Directors' Independence

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

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

Term of Office

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

Responsibilities of Management

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

Independent Professional Advice

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

The Board of Directors and Management (continued)

Performance Assessment

During the year the Board undertook a self assessment of its collective performance, the performance of the Chairman and of its Committees. The self assessment involved a questionnaire process that reviewed performance effectiveness attributes. The Chairman assessed the performance of individual directors and met privately with each director to discuss this assessment.

Remuneration Committee

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

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

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

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

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

Audit Committee

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

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

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year. The Managing Director and Chief Financial Officer are required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's and Group's financial condition, operational results and are in accordance with relevant accounting standards.

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

External Auditors Policy

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. KPMG were appointed as the external auditor on 28 November 2006. It is KPMG's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in Note 24 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Audit Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Nomination Committee

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

Risk Assessment and Management

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

Considerable importance is placed on maintaining a strong control environment. There is a framework with clearly drawn lines of accountability and delegation of authority. Adherence to the Company's Code of Conduct (see page 35) is required at all times and the Board actively promotes a culture of quality and integrity.

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

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, information technology security, compliance and other risk management issues. The Board reports on the key business risks. In addition, the Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

Environment, Health and Safety Management

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

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;

Risk Assessment and Management (continued)

- work with trade associations representing the entity's business to raise standards;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

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

Code of Conduct

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

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

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

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

Continuous Disclosure and Shareholder Communication

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

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

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

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

Non-compliance statement

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

- A separate Nomination Committee has not been formed. The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.

Financial Report — 30 June 2007

Contents

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

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

Glengarry Resources Limited
35 Havelock Street
West Perth WA 6005

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

The financial report was authorised for issue by the directors on 25 September 2007. The Company has the power to amend and reissue the financial report.

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

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

Income Statements

For the year ended 30 June 2007

		Consolidated		Parent entity	
	Notes	**2007 $**	2006 $	**2007 $**	2006 $
Revenue	5	**90,903**	86,798	**90,903**	86,798
Other income	6	**4,696,254**	41,658	**4,696,254**	41,658
Employee benefits expense	7	**(555,792)**	(380,695)	**(555,792)**	(380,695)
Depreciation expense	7	**(16,097)**	(7,972)	**(16,097)**	(7,972)
Exploration expense	7	**(268,643)**	(1,272,882)	**(93,350)**	(1,272,882)
Provision for non-recoverability of investment/loan to susidiary	7	**–**	–	**(161,980)**	–
Administration expense		**(393,220)**	(394,343)	**(393,220)**	(394,343)
Profit/(loss) before income tax		**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Income tax expense	8	**–**	–	**–**	–
Profit/(loss) attributable to members of Glengarry Resources Limited	21	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:		**Cents**	Cents		
Basic profit/(loss) per share	33	**1.49**	(1.04)		
Diluted profit/(loss) per share	33	**1.49**	(1.04)		

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

Balance Sheets

As at 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Current assets					
Cash and cash equivalents	9	**1,051,150**	1,475,251	**1,051,150**	1,475,251
Trade and other receivables	10	**76,631**	78,575	**76,631**	78,575
Non-current assets classified as held for sale	11	**–**	600,000	**–**	600,000
Total current assets		**1,127,781**	2,153,826	**1,127,781**	2,153,826
Non-current assets					
Available-for-sale financial assets	14	**5,242,707**	–	**5,242,707**	–
Plant and equipment	15	**56,230**	44,791	**56,230**	44,791
Exploration and evaluation	16	**2,946,700**	2,212,338	**2,946,700**	2,212,338
Total non-current assets		**8,245,637**	2,257,129	**8,245,637**	2,257,129
Total assets		**9,373,418**	4,410,955	**9,373,418**	4,410,955
Current liabilities					
Trade and other payables	17	**231,954**	220,960	**218,641**	220,960
Provisions	18	**47,687**	25,004	**47,687**	25,004
Total current liabilities		**279,641**	245,964	**266,328**	245,964
Total liabilities		**279,641**	245,964	**266,328**	245,964
Net assets		**9,093,777**	4,164,991	**9,107,090**	4,164,991
Equity					
Issued capital	19	**10,931,205**	9,246,778	**10,931,205**	9,246,778
Reserves	20	**(238,956)**	70,090	**(238,956)**	70,090
Accumulated losses	21	**(1,598,472)**	(5,151,877)	**(1,585,159)**	(5,151,877)
Total equity	22	**9,093,777**	4,164,991	**9,107,090**	4,164,991

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

Statements of Recognised Income and Expense

For the year ended 30 June 2007

		Consolidated		Parent entity	
	Notes	**2007** **$**	2006 $	**2007** **$**	2006 $
Changes in the fair value of available-for-sale financial assets, net of tax	20	**(379,972)**	–	**(379,972)**	–
Net expense recognised directly in equity		**(379,972)**	–	**(379,972)**	–
Profit/(loss) for the year		**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Total recognised income and expense for the year		**3,173,433**	(1,927,436)	**3,186,746**	(1,927,436)

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

Cash Flow Statements

For the year ended 30 June 2007

		Consolidated		Parent entity	
	Notes	2007 $	2006 $	2007 $	2006 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		**(791,697)**	(736,181)	**(791,697)**	(736,181)
Interest received		**89,317**	80,574	**89,317**	80,574
Net cash outflow from operating activities	32	**(702,380)**	(655,607)	**(702,380)**	(655,607)
Cash flows from investing activities					
Payments for plant and equipment		**(48,437)**	(6,014)	**(48,437)**	(6,014)
Refunds (payments) for security deposits		**(1,500)**	13,500	**(1,500)**	13,500
Exploration and evaluation expenditure		**(1,371,292)**	(1,301,777)	**(1,209,312)**	(1,301,777)
Proceeds from sale of plant & equipment		**909**	–	**909**	–
Proceeds from sale of available-for-sale financial assets		**24,172**	63,229	**24,172**	63,229
Payments for available-for-sale financial assets		**(10,000)**	–	**(10,000)**	–
Loans to subsidiary		**–**	–	**(161,980)**	–
Net cash outflow from investing activities		**(1,406,148)**	(1,231,062)	**(1,406,148)**	(1,231,062)
Cash flows from financing activities					
Proceeds from issues of shares	19(b)	**1,788,166**	2,317,304	**1,788,166**	2,317,304
Transaction costs	19(b)	**(103,739)**	(141,672)	**(103,739)**	(141,672)
Net cash inflow from financing activities		**1,684,427**	2,175,632	**1,684,427**	2,175,632
Net increase (decrease) in cash and cash equivalents		**(424,101)**	288,963	**(424,101)**	288,963
Cash and cash equivalents at the beginning of the financial year		**1,475,251**	1,186,288	**1,475,251**	1,186,288
Cash and cash equivalents at the end of the financial year	9	**1,051,150**	1,475,251	**1,051,150**	1,475,251

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

Notes to the Financial Statements

For the year ended 30 June 2007

Note	Contents	Page

Note 1. Summary of Significant Accounting Policies

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

(a) Basis of preparation of the financial report

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

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Glengarry Resources Limited comply with International Financial Reporting Standards (IFRS).

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, financial assets and liabilities (including derivative instruments) at fair value.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Glengarry Resources Limited ("Company" or "Parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Glengarry Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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 deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(g)).

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

Note 1. Summary of Significant Accounting Policies (continued)

(c) Segment reporting

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

(d) Revenue recognition

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

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 8.

Note 1. Summary of Significant Accounting Policies (continued)

(e) Income tax (continued)

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

(f) Leases

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

(g) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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

Note 1. Summary of Significant Accounting Policies (continued)

(h) Impairment of assets (continued)

(ii) Non-financial assets

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

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

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

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

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

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

(k) Non-current assets (or disposal groups) held for sale

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

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

Note 1. Summary of Significant Accounting Policies (continued)

(k) Non-current assets (or disposal groups) held for sale (continued)

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

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

(l) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Financial assets at fair value through profit and loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) 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 12 months of the balance sheet date.

Purchases and sales of investments 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 are derecognised when the

Note 1. Summary of Significant Accounting Policies (continued)

(l) Investments and other financial assets (continued)

(iv) Available-for-sale financial assets (continued)

rights to receive cash flows from the financial assets have expired or 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 or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

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 reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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 in determining whether the security is 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 and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) 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 publicly traded derivatives, and trading and available-for-sale securities) 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.

(n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Machinery	10-15 years
Vehicles	3-5 years
Furniture, fittings and equipment	3-8 years

Note 1. Summary of Significant Accounting Policies (continued)

(n) Plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(o) Trade and other payables

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

(p) Provisions

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

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

(q) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

(iii) Retirement benefit obligations

The Group contributes to various defined contribution funds for its employees.

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

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Incentive Scheme.

Note 1. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(iv) Share-based payments (continued)

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

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

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

(r) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) 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 year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(t) Exploration and evaluation expenditure

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

(t) Exploration and evaluation expenditure (continued)

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

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

(u) Goods and services tax (GST)

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

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

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

(v) Jointly controlled operations and assets

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

(w) New accounting standards and interpretations

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

(i) AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in ASSB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

(ii) AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2008 and is expected to only impact disclosures contained within the consolidated financial report.

(iii) AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and Group as the standard is only concerned with disclosures.

Note 1. Summary of Significant Accounting Policies (continued)

(w) New accounting standards and interpretations (continued)

(iv) AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

(v) Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e. 1 July 2004 and 1 July 2005 respectively). The potential effect on the Interpretation on the Company's financial report has not yet been determined.

(vi) Interpretation 11 AASB 2 Share-based Payment – Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving its services. Interpretation 11 is not expected to have any impact on the financial report. The potential effect on the Interpretation on the Company's financial report has not yet been determined.

(vii) AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report. The potential impact on the Company has not yet been determined.

(viii) Interpretation 12 Service Concession Arrangements addresses the accounting for service concession operators, but not grantors, for public to private service concession arrangements. Interpretation 12 will apply for the Group's 2009 financial report. The potential effect of the interpretation on the financial report has not yet been determined. At this time an entity must adopt the revised Interpretation 4 Determining when an arrangement contains a lease and Interpretation 129 Service Concession Arrangements: Disclosures.

(ix) AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure for Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.

(x) AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

Note 1. Summary of Significant Accounting Policies (continued)

(w) New accounting standards and interpretations (continued)

(xi) The AASB has released AASB 2007-4: Amendments to Australian Accounting Standards Arising From ED151 and Other Amendments, with the purpose, that in principle all options that currently exist under IFRS should be included in the Australian equivalents to IFRS and additional Australian disclosures should be eliminated, other than those particularly relevant in the Australian reporting environment. The amending standard removes many, but not all of the differences between IFRS and current AIFRS.

Note 2. Financial instruments risk

(i) Financial instruments risk

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

(ii) Credit risk

The Company is not exposed to significant concentrations of credit risk. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iii) Interest rate risk

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

Note 3. Critical accounting estimates and judgments

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

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

- *Exploration and evaluation expenditure*

  The Company has carrying balances for exploration and evaluation. Each year the Company assesses whether these balances have suffered any impairment, in accordance with the accounting policy stated in Note 1(h).

Note 4. Segment information

(a) Business segments

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

(b) Geographical segments

The Consolidated Entity operates predominantly in Australia.

Note 5. Revenue

	Consolidated		Parent entity	
Other revenue	**2007 $**	2006 $	**2007 $**	2006 $
Interest received	**87,243**	80,932	**87,243**	80,932
Tenement cost recoveries	**3,660**	5,866	**3,660**	5,866
	90,903	86,798	**90,903**	86,798

Note 6. Other income

	Consolidated		Parent entity	
Other income	**2007 $**	2006 $	**2007 $**	2006 $
Net gain on disposal of mineral tenements	**4,674,339**	–	**4,674,339**	–
Net gain on disposal of plant and equipment	**909**	–	**909**	–
Net gain on sale of available-for-sale financial assets	**21,006**	41,658	**21,006**	41,658
	4,696,254	41,658	**4,696,254**	41,658

Note 7. Expenses

	Consolidated		Parent entity	
Profit/(loss) before income tax includes the following specific expenses	**2007 $**	2006 $	**2007 $**	2006 $
Net foreign exchange losses	**670**	–	**670**	–
Depreciation				
Plant and equipment	**16,097**	7,972	**16,097**	7,972
Exploration and evaluation expenditure written off	**268,643**	1,272,882	**93,350**	1,272,882
Provision for non-recoverability of investment/loan to subsidiary	**–**	–	**161,980**	–
Rental expense relating to operating leases	**42,506**	36,220	**42,506**	36,220
Employee benefits expense				
Salaries, fees and other benefits	**695,121**	497,591	**695,121**	497,591
Superannuation	**113,490**	43,244	**113,490**	43,244
Share-based payments	**70,926**	61,205	**70,926**	61,205
Amount capitalised	**(323,745)**	(221,345)	**(323,745)**	(221,345)
Net employee benefits expense	**555,792**	380,695	**555,792**	380,695

Note 8. Income tax

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Tax at the Australian tax rate of 30%	**1,066,022**	(578,230)	**1,070,015**	(578,230)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Exploration expenditure	**52,588**	–	**–**	–
Share-based payments	**21,278**	18,361	**21,278**	18,361
Provision for non-recoverability of investment/loan to subsidiary	**–**	–	**48,594**	–
Sundry items	**633**	(1,669)	**633**	(1,669)
	1,140,521	(561,538)	**1,140,520**	(561,538)
Utilisation of previously unrecognised tax losses	**(1,027,470)**	–	**(1,027,469)**	–
Change in unrecognised temporary differences	**(113,051)**	–	**(113,051)**	–
Current year tax assets not recognised	**–**	561,538	**–**	561,538
Income tax expense	**–**	–	**–**	–
(b) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**16,620,807**	19,930,470	**16,551,067**	19,930,470
Potential tax benefit @ 30%	**4,986,242**	5,979,141	**4,965,320**	5,979,141
(c) Deferred tax asssets not recognised relate to the following:				
Deferred tax assets				
Tax losses	**5,533,312**	6,560,781	**5,512,390**	6,560,781
Taxable temporary differences	**(760,210)**	(670,169)	**(760,210)**	(670,169)
Deductible temporary differences	**213,140**	88,529	**213,140**	88,529
Net deferred tax assets	**4,986,242**	5,979,141	**4,965,320**	5,979,141

Note 8. Income tax (continued)

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

	Assets		Liabilities		Net	
	2007 $	2006 $	**2007 $**	2006 $	**2007 $**	2006 $
Receivables	**–**	–	**–**	6,468	**–**	6,468
Available-for-sale financial assets	**(140,192)**	–	**26,200**	–	**(113,992)**	–
Exploration	**–**	–	**734,010**	663,701	**734,010**	663,701
Accrued expenses/provisions	**(19,106)**	(51,501)	**–**	–	**(19,106)**	(51,501)
Issued capital	**(53,843)**	(37,028)	**–**	–	**(53,843)**	(37,028)
Tax losses	**(547,069)**	(581,640)	**–**	–	**(547,069)**	(581,640)
Set off of tax	**760,210**	670,169	**(760,210)**	(670,169)	**–**	–
Net tax (assets)/liabilities	**–**	–	**–**	–	**–**	–

(e) Tax consolidation legislation

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

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

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

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

Note 9. Current assets – Cash and cash equivalentss

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Cash at bank and on hand	**8,769**	28,815	**8,769**	28,815
Deposits at call	**1,042,381**	348,119	**1,042,381**	348,119
Bill of exchange	**–**	1,098,317	**–**	1,098,317
	1,051,150	1,475,251	**1,051,150**	1,475,251

Deposits at call

The deposits are bearing floating interest rates between 5.85% and 6.1% (2006: 4.5% and 4.75%).

Note 10. Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Other receivables	**–**	6,590	**–**	6,590
Security deposits	**54,000**	52,500	**54,000**	52,500
Prepayments	**22,631**	19,485	**22,631**	19,485
	76,631	78,575	**76,631**	78,575

Note 11. Current assets – Non-current assets classified as held for sale

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Mineral tenements	**–**	600,000	**–**	600,000

Note 12. Non-Current assets – Receivables

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Loan to subsidiary	**–**	–	**161,979**	4,935,255
Less: Provision for non-recovery	**–**	–	**(161,979)**	(4,935,255)
	–	–	**–**	–

Note 13. Non-Current assets – Other financial assets

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Shares in subsidiaries – at cost (Note 29)	**–**	–	**1**	2,205,010
Less: Provision for non-recovery	**–**	–	**(1)**	(2,205,010)
	–	–	**–**	–

Note 14. Non-current assets – Available-for-sale financial assets

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
At the beginning of the year	**–**	–	**–**	–
Adjustment on adoption of AASB 132 and AASB 139	**–**	21,571	**–**	21,571
Revaluation transferred to equity	**(379,972)**	13,005	**(379,972)**	13,005
Additions	**5,625,845**	–	**5,625,845**	–
Disposals (sale)	**(3,166)**	(34,576)	**(3,166)**	(34,576)
At end of year	**5,242,707**	–	**5,242,707**	–
Listed securities	**5,242,707**	–	**5,242,707**	–

Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. For further information please refer to our annual report for the year ending 30 June 2006.

Note 15. Non-current assets – Plant and equipment

	Consolidated		Parent entity	
Plant and equipment	**2007 $**	2006 $	**2007 $**	2006 $
Plant and equipment – at cost	**175,980**	155,987	**175,980**	155,987
Less: Accumulated depreciation	**(119,750)**	(111,196)	**(119,750)**	(111,196)
	56,230	44,791	**56,230**	44,791

Non-current assets pledged as security

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

Reconciliation

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

Plant and equipment	**$**	$	**$**	$
At the beginning of the financial year	**44,791**	18,112	**44,791**	18,112
Additions	**27,536**	35,193	**27,536**	35,193
Disposals	**–**	(542)	**–**	(542)
Depreciation expense (Note 7)	**(16,097)**	(7,972)	**(16,097)**	(7,972)
At the end of the financial year	**56,230**	44,791	**56,230**	44,791

Note 16. Non-current assets – Exploration and evaluation

	Consolidated		Parent entity	
Exploration and evaluation	**2007 $**	2006 $	**2007 $**	2006 $
Exploration and evaluation	**2,946,700**	2,212,338	**2,946,700**	2,212,338

Reconciliation

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

Exploration and evaluation	**$**	$	**$**	$
At the beginning of the financial year	**2,212,338**	2,619,488	**2,212,338**	2,619,488
Expenditure during the financial year	**1,253,540**	1,465,732	**1,078,247**	1,465,732
Sale of mineral tenements	**(250,535)**	–	**(250,535)**	–
Reclassified as non-current assets classified as held-for-sale	**–**	(600,000)	**–**	(600,000)
Expenditure written off	**(268,643)**	(1,272,882)	**(93,350)**	(1,272,882)
At the end of the financial year	**2,946,700**	2,212,338	**2,946,700**	2,212,338

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

Note 17. Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Trade and other creditors	**92,745**	219,859	**92,745**	219,859
Accrued expenses	**139,209**	1,101	**125,896**	1,101
	231,954	220,960	**218,641**	220,960

Note 18. Current liabilities – Provisions

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Employee entitlements	**47,687**	25,004	**47,687**	25,004

Note 19. Issued capital

		Parent entity		Parent entity	
(a) Share capital	Notes	**2007 Shares**	2006 Shares	**2007 $**	2006 $
Ordinary shares					
Fully paid		**249,177,528**	208,966,528	**10,405,242**	8,720,815
Option issue premium		**–**	–	**525,963**	525,963
	(b)	**249,177,528**	208,966,528	**10,931,205**	9,246,778

(b) Movements in ordinary share capital

Date	Details	Notes	Shares No.	Issue price $	$
1 July 2005	Balance		157,883,938		7,071,146
12 September 2005	Placement of shares		23,682,590	0.040	947,304
10 March 2006	Placement of shares		27,000,000	0.050	1,350,000
10 March 2006	Exercise of options		400,000	0.050	20,000
	Less: Transaction costs arising on placement of shares				(141,672)
1 July 2006	Balance		208,966,528		9,246,778
26 September 2006	Placement of shares	(e)(i)	24,000,000	0.042	1,008,000
11 October 2006	Share purchase plan	(e)(ii)	14,861,000	0.042	624,166
3 April 2007	Exercise of options	(e)(iii)	100,000	0.110	11,000
12 April 2007	Exercise of options	(e)(iii)	200,000	0.110	22,000
24 April 2007	Exercise of options	(e)(iii)	250,000	0.100	25,000
1 May 2007	Exercise of options	(e)(iii)	250,000	0.110	27,500
8 May 2007	Exercise of options	(e)(iii)	150,000	0.110	16,500
9 May 2007	Exercise of options	(e)(iii)	150,000	0.110	16,500
27 June 2007	Exercise of options	(e)(iii)	250,000	0.150	37,500
	Less: Transaction costs arising on placement of shares				(103,739)
30 June 2007	Balance		249,177,528		10,931,205

(c) Ordinary shares

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

(d) Employee incentive scheme

Information relating to the Employee Incentive Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 27.

Note 19. Issued capital (continued)

(e) Ordinary share issues

(i) On 26 September 2006 the Company placed 24,000,000 ordinary shares to institutional and sophisticated investors.

(ii) On 11 October 2006 the Company issued 14,861,000 ordinary shares pursuant to a share purchase plan.

(iii) The Company issued 1,350,000 shares as a result of the exercise of options issued under the Employee Share Option Plan.

Note 20. Reserves

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Share-based payments reserve	**141,016**	70,090	**141,016**	70,090
Available-for-sale investments revaluation reserve	**(379,972)**	–	**(379,972)**	–
	(238,956)	70,090	**(238,956)**	70,090
Movements in reserves				
Share-based payments reserve				
Balance at the beginning of the financial year	**70,090**	8,885	**70,090**	8,885
Option expense	**70,926**	61,205	**70,926**	61,205
Balance at the end of the financial year	**141,016**	70,090	**141,016**	70,090
Available-for-sale investments revaluation reserve				
Balance at the beginning of the financial year	**–**	–	**–**	–
Revaluation	**(379,972)**	13,005	**(379,972)**	13,005
Transfer to net profit	**–**	(13,005)	**–**	(13,005)
Balance at the end of the financial year	**(379,972)**	–	**(379,972)**	–

Nature and purpose of reserves

Share-based payments reserve

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

Available-for-sale investments revaluation reserve

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

Note 21. Accumulated losses

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Accumulated losses at the beginning of the financial year	**(5,151,877)**	(3,224,441)	**(5,151,877)**	(3,224,441)
Net profit/(loss) attributable to members of Glengarry Resources Limited	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Accumulated losses at the end of the financial year	**(1,598,472)**	(5,151,877)	**(1,585,159)**	(5,151,877)

Note 22. Equity

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Total equity at the beginning of the financial year	**4,164,991**	3,855,590	**4,164,991**	3,855,590
Profit/(loss) for the year	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Increase/(decrease) in reserves	**(309,046)**	61,205	**(309,046)**	61,205
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	**1,684,427**	2,175,632	**1,684,427**	2,175,632
Total equity at the end of the financial year	**9,093,777**	4,164,991	**9,107,090**	4,164,991

Note 23. Key management personnel disclosures

(a) Directors

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

Chairman – non-executive	Executive directors	Non-executive directors
K G McKay	D R Richards, Managing Director	W F Manning D P Gordon (resigned effective 23 July 2007)

(b) Other key management personnel

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

Name	Position	Employer
K M Seymour	Exploration Manager	Glengarry Resources Limited
G A James	Company Secretary/Chief Financial Officer (from 19 March 2007)	Glengarry Resources Limited
D J Kelly	Joint Company Secretary/Chief Financial Officer (note 1)	Mosman Management Pty Ltd
J P Burns	Joint Company Secretary/Company Accountant (note 1)	Mosman Management Pty Ltd

Note 1: Part year only from 1 July 2006 to 31 March 2007.

Note 23. Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Short term employee benefits	**642,323**	463,883	**642,323**	463,883
Post-employment benefits	**101,561**	36,789	**101,561**	36,789
Share-based payments	**50,160**	42,020	**50,160**	42,020
	794,044	542,692	**794,044**	542,692

The Company has taken advantage of the relief provided by the *Corporations Regulations* and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found on pages 22 to 28.

(d) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 26 to 28.

Option holdings

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

2007 Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Glengarry Resources Limited						
K G McKay	–	–	–	–	–	–
D R Richards	2,500,000	–	(250,000)	(250,000)	2,000,000	1,000,000
D P Gordon	–	–	–	–	–	–
W F Manning	–	–	–	–	–	–
Other key management personnel of the group						
K M Seymour	2,000,000	–	(250,000)	(500,000)	1,250,000	750,000
G A James	–	1,000,000	(250,000)	–	750,000	–
D J Kelly	800,000	–	(200,000)	(600,000)	–	–
J P Burns	600,000	–	(150,000)	(450,000)	–	–

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

Note 23. Key management personnel disclosures (continued)

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

2006 Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Glengarry Resources Limited						
K G McKay	–	–	–	–	–	–
D R Richards	1,500,000	2,000,000	–	(1,000,000)	2,500,000	1,000,000
D P Gordon	–	–	–	–	–	–
W F Manning	–	–	–	–	–	–
A T Harris	–	–	–	–	–	–
I J Gordon	–	–	–	–	–	–
Other key management personnel of the group						
K M Seymour	1,500,000	1,000,000	–	(500,000)	2,000,000	1,250,000
D J Kelly	–	800,000	–	–	800,000	200,000
J P Burns	–	600,000	–	–	600,000	150,000

Share holdings

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

2007 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Glengarry Resources Limited				
K G McKay	1,300,000	–	119,000	1,419,000
D R Richards	441,007	250,000	307,993	999,000
D P Gordon	–	–	–	–
W F Manning	–	–	250,000	250,000
Other key management personnel of the group				
K M Seymour	500,000	250,000	(131,000)	619,000
G A James	–	250,000	(150,000)	100,000
D J Kelly	–	200,000	(200,000)	–
J P Burns	–	150,000	(150,000)	–

Note 23. Key management personnel disclosures (continued)

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

2006 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Glengarry Resources Limited				
K G McKay	1,300,000	–	–	1,300,000
D R Richards	300,000	–	141,007	441,007
D P Gordon	–	–	–	–
W F Manning	–	–	–	–
A T Harris (1)	15,709,434	–	(15,709,434)	–
I J Gordon (2)	125,000	–	(125,000)	–
Other key management personnel of the group				
K M Seymour	500,000	–	–	500,000
D J Kelly	–	–	–	–
J P Burns	–	–	–	–

(1) A T Harris retired as a director on 10 March 2006.

(2) I J Gordon resigned as director on 28 November 2005.

(e) Loans to key management personnel

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

(f) Other transactions with key management personnel

Directors of Glengarry Resources Limited

Mr W F Manning is a consultant with Sceales & Company, Barristers and Solicitors. During the 2007 financial year $4,149 was paid to Sceales & Company for legal consulting services which were provided on normal commercial terms and conditions.

Other key management personnel

The former Joint Company Secretary, Mr D J Kelly is a director and shareholder of Mosman Management Pty Ltd. During the 2007 financial year $49,987 (2006 – $17,467) was paid to Mosman Management Pty Ltd for corporate and secretarial services on normal commercial terms and conditions.

Note 24. Remuneration of auditors

	Consolidated		Parent entity	
During the year the following fees were paid or payable for services provided by the auditor of the parent entity:	**2007** **$**	2006 $	**2007** **$**	2006 $
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**–**	25,900	**–**	25,900
KPMG Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**24,000**	–	**24,000**	–
	24,000	25,900	**24,000**	25,900
Non-audit services				
KPMG Australian firm:				
Taxation services	**11,322**	–	**11,322**	–

Note 25. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2007 in respect of:

Guarantees

Guarantees given in respect of bank security bonds amounting to $33,475 (2006 – $30,000), secured by floating charge over the assets of the parent entity and cash deposits lodged as security with the bank.

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

Note 26. Commitments for expenditure

	Consolidated		Parent entity	
Capital commitments	**2007** **$**	2006 $	**2007** **$**	2006 $
Commitments for minimum expenditure on mining tenements contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**1,140,447**	1,063,586	**1,140,447**	1,063,586
Later than one year but not later than 5 years	**4,060,388**	5,085,284	**4,060,388**	5,085,284
	5,200,835	6,148,870	**5,200,835**	6,148,870

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

Note 26. Commitments for expenditure (continued)

	Consolidated		Parent entity	
Lease commitments	**2007 $**	2006 $	**2007 $**	2006 $
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable, representing non-cancellable operating leases:				
Within one year	**59,200**	17,948	**59,200**	17,948
Later than one year but not later than 5 years	**88,800**	–	**88,800**	–
	148,000	17,948	**148,000**	17,948

Note 27. Employee benefits

	Consolidated		Parent entity	
Employee benefit and related on-costs liabilities	**2007 $**	2006 $	**2007 $**	2006 $
Included in current liabilities – provisions (Note 18)	**47,687**	25,004	**47,687**	25,004
Aggregate employee benefit and related on-costs liabilities	**47,687**	25,004	**47,687**	25,004

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

Employee Incentive Scheme

The Employee Incentive Scheme ("the scheme") was approved by shareholders at the 2004 annual general meeting. All staff (including executive directors) are eligible to participate in the scheme.

Shares and options are issued on the following terms:

- Eligible participants shall not, unless the directors in their absolute discretion determine otherwise, participate in the scheme until they have qualified as an Eligible Participant for a period of at least six months.
- The entitlement from time to time of each Eligible Participant shall be determined by the directors in their absolute discretion based on the directors' assessment of length of service, remuneration level and the contribution the Eligible Participant will make to the long term performance of the Company, together with such other criteria as the directors consider appropriate in the circumstances.
- The maximum number of securities which may be issued pursuant to the scheme shall not be greater than 5% of the issued shares of the Company, from time to time.
- Options are granted under the plan for no consideration.
- Options granted under the plan carry no dividend or voting rights.
- When exercisable, each option is convertible into one ordinary share.

The exercise price of options is determined by the directors which is not less than 125% of the market price on the date upon which the directors first resolved to grant the options. Amounts receivable on the exercise of options are recognised as share capital.

Note 27. Employee benefits (continued)

On 2 August 2007 the directors approved the Employee Share Option Plan ("the plan") to replace the scheme. It is the intention of the Board to seek shareholder approval of the plan at the next annual general meeting.

Set out below are summaries of options granted under the scheme.

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated and parent entity – 2007								
06/10/04	01/09/06	0.100	500,000	–	–	(500,000)	–	–
06/10/04	01/09/07	0.150	500,000	–	–	–	500,000	500,000
11/02/05	30/06/07	0.150	500,000	–	(250,000)	(250,000)	–	–
10/04/06	10/04/11	0.110	1,450,000	–	(850,000)	–	600,000	600,000
10/04/06	10/04/11	0.130	1,100,000	–	–	(350,000)	750,000	750,000
10/04/06	10/04/11	0.150	2,200,000	–	–	(700,000)	1,500,000	–
19/03/07	19/03/12	0.090	–	125,000	–	–	125,000	125,000
19/03/07	19/03/12	0.100	–	250,000	(250,000)	–	–	–
19/03/07	19/03/12	0.105	–	125,000	–	–	125,000	–
19/03/07	19/03/12	0.115	–	250,000	–	–	250,000	–
19/03/07	19/03/12	0.125	–	250,000	–	–	250,000	–
19/03/07	19/03/12	0.135	–	500,000	–	–	500,000	–
			6,250,000	1,500,000	(1,350,000)	(1,800,000)	4,600,000	1,975,000
Weighted average exercise price			$0.133	$0.118	$0.116	$0.132	$0.134	$0.126
Consolidated and parent entity – 2006								
08/03/04	18/02/06	0.100	500,000	–	–	(500,000)	–	–
08/03/04	08/03/06	0.050	600,000	–	(400,000)	(200,000)	–	–
06/10/04	01/09/05	0.050	500,000	–	–	(500,000)	–	–
11/02/05	30/06/06	0.100	500,000	–	–	(500,000)	–	–
06/10/04	01/09/06	0.100	500,000	–	–	–	500,000	500,000
06/10/04	01/09/07	0.150	500,000	–	–	–	500,000	500,000
11/02/05	30/06/07	0.150	500,000	–	–	–	500,000	500,000
10/04/06	10/04/11	0.110	–	1,450,000	–	–	1,450,000	1,450,000
10/04/06	10/04/11	0.130	–	1,100,000	–	–	1,100,000	–
10/04/06	10/04/11	0.150	–	2,200,000	–	–	2,200,000	–
			3,600,000	4,750,000	(400,000)	(1,700,000)	6,250,000	2,950,000
Weighted average exercise price			$0.099	$0.133	$0.050	$0.079	$0.133	$0.122

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2007 was $0.181 (2006 – $0.064).

Note 27. Employee benefits (continued)

The assessed weighted average fair value at grant date of options granted during the year ended 30 June 2007 was $0.041 (2006 – $0.035). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The model inputs for 2007 include:

Weighted average exercise price: $0.118

Average life of the option: 5 years

Underlying share price: $0.08

Expected share price volatility (based on historic volatility): 65%

Dividend yield: nil

Risk-free interest rate: 6%

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Total expenses arising from share-based payment transactions recognised as part of employee benefit expense	**70,926**	61,205	**70,926**	61,205

Note 28. Related parties

Directors and specified executives

Disclosures relating to directors and other key management personnel are set out in the Directors' Report and Note 23.

Wholly-owned group

The wholly-owned group consists of Glengarry Resources Limited and its wholly-owned controlled entities. Ownership interests are set out in Note 29. Glengarry Resources Limited is the ultimate Australian parent entity of the consolidated entity. Glengarry Resources Limited is a Company limited by shares that is incorporated and domiciled in Australia.

Note 29. Investments in controlled entities

In the current period Glengarry Resources Limited is consolidating 2 subsidiaries (2006: 4). The carrying value of the subsidiaries is $nil (2006: $nil). During the year 4 subsidiaries were de-registered and 2 wholly-owned subsidiaries were incorporated.

Note 30. Interests in joint ventures

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

		Parent entity	
Joint venture name:		**2007 %**	2006 %
*	Inningarra Joint Venture	**100**	100
**	Snake Creek Joint Venture	**–**	100
***	Lucky Creek Joint Venture	**100**	–
****	Mt Guide Joint Venture	**10**	10

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

* Newmont Tanami Pty Ltd earning 70%.
** Mount Isa Mines Limited withdrew from this joint venture during the current period.
*** Beacon Minerals Ltd earning 80%.
**** Summit Resources (Aust) Pty Ltd 90%.

Note 31. Events occurring after reporting date

On 3 August 2007 the Company announced that it had issued 35,000,000 ordinary shares at 12.5 cents per share to Kagara Zinc Ltd. The placement raised $4,375,000.

The Company has investments in listed companies and these are recorded in the Balance Sheet at fair value. The fair value of these investments at 30 June 2007 was $5,242,707. As at 18 September 2007 the fair value of these investments have reduced by $954,144.

Other than set out above, no matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

Note 32. Reconciliation of profit/(loss) from ordinary activities after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Operating profit/(loss) after income tax	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Depreciation	**16,097**	7,972	**16,097**	7,972
Carrying value of non-current assets written off	**–**	179	**161,980**	179
Exploration and evaluation expenditure written off	**268,643**	1,272,882	**93,350**	1,272,882
Non-cash employee benefits expense – share based payments	**70,926**	61,205	**70,926**	61,205
Profit on sale of mineral tenements	**(4,674,339)**	–	**(4,674,339)**	–
Profit on sale of available-for-sale financial assets	**(21,006)**	(41,658)	**(21,006)**	(41,658)
Change in operating assets and liabilities				
(Increase)/decrease in other receivables	**2,535**	(18,374)	**2,535**	(18,374)
Decrease(increase) in other operating assets	**–**	13,785	**–**	13,785
(Decrease)/increase in trade creditors and provisions	**81,359**	(24,162)	**81,359**	(24,162)
Net cash used in operating activities	**(702,380)**	(655,607)	**(702,380)**	(655,607)

Note 33. Profit/(Loss) per share

	Consolidated	
	2007 Cents	2006 Cents
Basic profit/(loss) per share	**1.49**	(1.04)
Diluted profit/(loss) per share	**1.49**	(1.04)

	Consolidated	
Weighted average number of shares used as the denominator	**2007 Number**	2006 Number
Weighted average number of ordinary shares used as the denominator in calculating basic profit/(loss) per share.	**238,157,331**	185,312,750
Adjustments for calculation of diluted profit/(loss) per share:		
Options	**1,100,000**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted profit/(loss) per share.	**239,257,331**	185,312,750
There were a further 3,500,000 (2006: 6,250,000) potential ordinary shares (options) not considered to be dilutive.		
Profits/(Losses) used in calculating profit/(loss) per share		
Net profit/(loss)	**3,553,405**	(1,927,436)

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes and the remuneration disclosures that are contained in sections 11A to 11D of the Remuneration Report in the Directors' Report, set out on pages 38 to 72 are in accordance with the *Corporations Act 2001*, including:

  (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) Giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) The audited remuneration disclosures set out on pages 22 to 27 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures and the Corporations Regulations 2001*.

The directors have been given the declarations by the managing director and the chief financial officer required by section 295A of the *Corporations Act 2001*.

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

D R Richards
Managing Director

Perth
25 September 2007

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

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Glengarry Resources Ltd (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

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

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' 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 controls. 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 and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Glengarry Resources Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

T R Hart
Partner

Perth
25 September 2007

Mineral Resources

Definition of terms

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

Indicated and inferred resources

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

Project	Commodity	Location	Interest %	Inferred		
				,000 tonnes	average grade %	Cut-off grade %
Maitland	Copper	Queensland	100	1,600	1.29	0.75
Any apparent errors are due to rounding.						

The Maitland resource estimate was prepared by Mr Kevin Seymour who is a full-time employee of Glengarry Resources Limited. The estimate complies with the recommendations of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves Report prepared in 2004 by the Joint Ore Reserves Committee (JORC).

Mineral Tenement Interests

PROJECT	TENEMENT	AREA (sq km)	INTEREST	JV PARTNER(S)	OPERATOR
GOLD – BASE METAL – PROJECTS					
Queensland					
Greenvale	EPM 12510 EPM 12512 EPM 12513 EPM 15050 EPM 15051	262 32 467 143 758	100%		
Lucky Creek Joint Venture	EPM 12399 EPM 12961 EPM 14346 EPM 14925 MDL 107	23 29 113 29 1	100% (1)	Beacon Minerals Ltd, earning 80%	Beacon Minerals Ltd
Cannington	EPM 13681	73	100%		
Mt Guide Joint Venture	EPM 14233	134	10% (2)	Summit Resources (Aust) Pty Ltd, 90%	Summit Resources (Aust) Pty Ltd
Snake Creek	EPM 14449	259	100%		
Northern Territory					
Inningarra Joint Venture	EL 23625 (A)	193	100% (3)	Newmont Tanami Pty Ltd, earning 70%	Newmont Tanami Pty Ltd
Rum Jungle	EL 24970 EL 24971 EL 25240	90 32 19	100%		
Western Australia					
Citadel	E45/2874 E45/2876 (A) E45/2877 (A) E45/2901	189 576 630 314	100%		

Mineral Tenement Interests (continued)

(1) Subject to Farm-in and Joint Venture Agreement with Beacon Minerals Ltd dated 12 January 2007.

(2) Subject to Farm-in and Joint Venture Agreement with Summit Resources (Aust) Pty Ltd dated 10 March 2005.

(3) Subject to Farm-in and Joint Venture Agreement with Newmont Tanami Pty Ltd dated 15 October 2003.

E	Exploration Licence (WA)	EL	Exploration Licence (NT)
EPM	Exploration Permit for Minerals (Qld)	MDL	Mineral Development Licence (Qld)

(A) Pending application

Shareholder Information

The shareholder information set out below was applicable as at 27 September 2007.

A. Substantial Shareholders

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

Kagara Zinc Ltd – 48,000,000 shares.

B. Class of Shares and Voting Rights

(a) At 27 September 2007 there were 2,990 holders of ordinary shares in the Company.

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

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

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

(c) At 27 September 2007, there were five holders of options over 4,100,000 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

C. Distribution of Equity Securities

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

	Class of Equity Security	
	Ordinary Shares	
	Shares	Options
1 – 1,000	41	–
1,001 – 5,000	284	–
5,001 – 10,000	537	–
10,001 – 100,000	1,680	1
100,001 and over	448	4
	2,990	5

(b) There were 193 holders of less than a marketable parcel of ordinary shares.

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D. Equity Security Holders

Twenty largest quoted equity security holders

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

	Ordinary Shares	
Name	**Number Held**	**Percentage of Issued Shares**
Kagara Zinc Ltd	48,000,000	16.89
ANZ Nominees Ltd	8,177,454	2.88
Parkes Holdings Pty Ltd	4,500,000	1.58
Citicorp Nominees Pty Ltd	3,877,555	1.37
Dr L E Pretorius	3,000,000	1.06
Campbell Kitchener Hume & Associates	3,000,000	1.06
Yandal Investments Pty Ltd	3,000,000	1.06
Mr Malcolm Thom	2,619,000	0.92
HSBC Custody Nominess (Aust) Ltd	2,112,121	0.74
Matalot Pty Ltd	2,000,000	0.70
Tallenay Pty Ltd	1,900,000	0.67
Bradley George Bolin	1,800,000	0.63
Custodial Services Limited	1,798,000	0.63
Mrs Suzanne Patricia McKay	1,419,000	0.49
Dr Somnuk Phonesouk	1,200,000	0.42
Sabstern Pty Ltd	1,115,000	0.39
John Douglas Sharp	1,100,000	0.39
Mitsue Pty Ltd	1,095,380	0.39
National Nominees Limited	1,073,001	0.38
Lim & Tan Securities Pte Ltd	1,069,331	0.38
	93,855,842	33.03

E. Restricted Securities

The Company issued 35,000,000 ordinary shares to Kagara Zinc Ltd. The shares are subject to a voluntary escrow period of 12 months, expiring on 2 August 2008.

F. On-market Buy Back

There is no current on-market buy back.

GLENGARRY

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