

# **Glengarry Resources Limited**

**ABN 40 009 468 099**

## **Interim Financial Report**

**31 December 2007**

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## **GLENGARRY RESOURCES LIMITED**

### **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 half-year ended 31 December 2007 together with the consolidated financial report and review report thereon.

#### **Directors**

The following persons were directors of Glengarry Resources Limited during the whole of the half-year and up to the date of this report:

K G McKay  
D R Richards  
W F Manning

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

#### **Review of Operations**

##### *Financial Position*

The net consolidated loss for the half-year was \$1,125,879. Included in the loss is exploration expenditure written off of \$536,807.

During the half-year the Company had a net increase in issued capital of \$4,613,050 (from \$10,931,205 to \$15,544,255) as a result of:

- a placement of 35,000,000 ordinary shares at 12.5 cents each;
- an issue of 1,826,150 ordinary shares at 13.69 cents each; and
- payment of share issue transaction costs of \$11,950.

At the end of the half-year the Consolidated Entity had net cash balances of \$5,380,214 and net assets of \$11,824,152.

Total liabilities amounted to \$201,618 and were limited to trade and other creditors and employee benefits.

##### *Exploration*

During the half-year to 31 December 2007 Glengarry focussed its exploration effort on the Maitland copper deposit at the Greenvale Project located in North Queensland. Resource definition drilling designed to define the open pit portion of the deposit was completed in December 2007 and an updated measured and indicated resource will be estimated in early 2008. The drilling has confirmed the continuity of mineralisation which remains open at depth. Geotechnical and deeper drill testing will be planned once all data from the resource drilling program has been fully assessed.

Exploration was also carried out on a number of other prospects at Greenvale including:

- Drill testing of a copper anomaly at Maitland South;
- Soil sampling at Copper Creek; and
- Drilling, soil sampling and geophysics on the Lucky Creek Joint Venture being managed by Beacon Minerals.

Elsewhere in Queensland, exploration was carried out at the Snake Creek and Cannington Projects located in the Mt Isa region. At Snake Creek, infill soil sampling has confirmed a number of strong copper-gold anomalies which will be investigated further in early 2008. At Cannington, shallow interface RAB drilling did not record significant anomalies and the Company has elected not to conduct further exploration and the project will be relinquished.

## **GLENGARRY RESOURCES LIMITED**

### **Directors' Report**

A high grade gold target has been defined by previous explorers at the Acacia North prospect at the Rum Jungle Project located in the Northern Territory, approximately 60 kilometres south of Darwin. Glengarry has designed a 1,000 metre drill program to test for extensions of the gold mineralisation. Attempts to secure a suitable drill rig to complete the program are continuing.

Glengarry continued negotiations with the Native Title claimants for the Citadel Project located in the Telfer region of northwest Western Australia. Pending finalisation of access negotiations, fieldwork is scheduled to commence before the end of the financial year.

#### *Corporate*

The Company raised \$4,375,000 from a share placement to Kagara Limited. The Company also issued \$250,000 worth of shares to Gindalbie Metals Limited. A total of 36,826,150 shares were issued increasing the Company's total issued capital to 286,003,678 shares. The funds will be used to advance exploration on targets within the Company's Australian projects.

#### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2007 is set out on page 5.



**D R Richards**  
Managing Director

Perth  
13 March 2008



***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 review for the financial half-year ended 31 December 2007 there have been:

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

A handwritten version of the KPMG logo in blue ink.

KPMG

A handwritten signature in blue ink, appearing to be 'T R Hart'.

T R Hart  
*Partner*

Perth  
13 March 2008

**GLENGARRY RESOURCES LIMITED****Consolidated Interim Income Statement  
For the half-year ended 31 December 2007**

	<b>31 December 2007</b>	31 December
	\$	2006
		\$
<b>Revenue</b>		
Interest income	<b>160,026</b>	45,259
Other income	<b>12,472</b>	-
Employee benefits expense	<b>(346,293)</b>	(258,476)
Depreciation expense	<b>(9,493)</b>	(7,613)
Exploration expense	<b>(536,807)</b>	(205,761)
Loss on sale of investments	<b>(163,013)</b>	-
Administration expense	<b>(242,771)</b>	(227,906)
<b>Loss before income tax</b>	<b>(1,125,879)</b>	(654,497)
Income tax expense	-	-
<b>Loss attributable to members of Glengarry Resources Limited</b>	<b>(1,125,879)</b>	(654,497)
<b>Earnings/(loss) per share attributable to the ordinary equity holders of the Company:</b>	<b>Cents</b>	Cents
Basic and diluted loss per share	<b>(0.40)</b>	(0.29)

*The above Consolidated Interim Income Statement should be read in conjunction with the accompanying notes.*

**GLENGARRY RESOURCES LIMITED****Consolidated Interim Balance Sheet  
As at 31 December 2007**

	<b>Note</b>	<b>31 December 2007 \$</b>	<b>30 June 2007 \$</b>
<b>Current assets</b>			
Cash and cash equivalents		<b>5,380,214</b>	1,051,150
Trade and other receivables		<b>147,287</b>	76,631
<b>Total current assets</b>		<b>5,527,501</b>	1,127,781
<b>Non-current assets</b>			
Available-for-sale financial assets		<b>2,294,611</b>	5,242,707
Plant and equipment	6	<b>51,301</b>	56,230
Exploration and evaluation		<b>4,152,357</b>	2,946,700
<b>Total non-current assets</b>		<b>6,498,269</b>	8,245,637
<b>Total assets</b>		<b>12,025,770</b>	9,373,418
<b>Current liabilities</b>			
Trade and other payables		<b>165,982</b>	231,954
Employee benefits		<b>35,636</b>	47,687
<b>Total current liabilities</b>		<b>201,618</b>	279,641
<b>Total liabilities</b>		<b>201,618</b>	279,641
<b>Net assets</b>		<b>11,824,152</b>	9,093,777
<b>Equity</b>			
Issued capital	7	<b>15,544,255</b>	10,931,205
Reserves	8	<b>(995,752)</b>	(238,956)
Accumulated losses	9	<b>(2,724,351)</b>	(1,598,472)
<b>Total equity</b>		<b>11,824,152</b>	9,093,777

*The above Consolidated Interim Balance Sheet should be read in conjunction with the accompanying notes.*

**GLENGARRY RESOURCES LIMITED**

**Consolidated Interim Statement of Recognised Income and Expense  
For the half-year ended 31 December 2007**

	<b>31 December 2007</b>	31 December 2006
	\$	\$
Changes in the fair value of available-for-sale financial assets, net of tax	<b>(1,000,109)</b>	135,000
Net income/(expense) recognised directly in equity	<b>(1,000,109)</b>	135,000
Loss for the period	<b>(1,125,879)</b>	(654,497)
<b>Total recognised income and expense for the year</b>	<b><u>(2,125,988)</u></b>	<b><u>(519,497)</u></b>

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



**GLENGARRY RESOURCES LIMITED****Consolidated Interim Statement of Cash Flows  
For the half-year ended 31 December 2007**

	<b>31 December 2007</b>	31 December 2006
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of goods and services tax)	<b>(630,378)</b>	(389,115)
Interest received	<b>138,940</b>	43,915
<b>Net cash used in operating activities</b>	<b>(491,438)</b>	(345,200)
<b>Cash flows from investing activities</b>		
Payments for plant & equipment	<b>(12,479)</b>	(44,926)
Payments for security deposits	<b>(17,400)</b>	(14,000)
Exploration and evaluation expenditure	<b>(1,451,911)</b>	(685,030)
Proceeds from sale of plant & equipment	-	909
Proceeds from sale of available-for-sale financial assets	<b>1,939,242</b>	-
<b>Net cash from/(used in) investing activities</b>	<b>457,452</b>	(743,047)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	<b>4,375,000</b>	1,632,162
Transaction costs	<b>(11,950)</b>	(98,253)
<b>Net cash from financing activities</b>	<b>4,363,050</b>	1,533,909
<b>Net increase in cash and cash equivalents</b>	<b>4,329,064</b>	445,662
Cash and cash equivalents at the beginning of the half-year	<b>1,051,150</b>	1,475,251
<b>Cash and cash equivalents at the end of the half-year</b>	<b>5,380,214</b>	1,920,913

*The above Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# GLENGARRY RESOURCES LIMITED

## Condensed Notes to the Consolidated Interim Financial Statements

### Note 1. Reporting entity

Glengarry Resources Limited is a company domiciled in Australia. The consolidated interim financial report of the Company as at 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2007 is available upon request from the Company's registered office or at [www.glengarry.com.au](http://www.glengarry.com.au).

### Note 2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2007.

The consolidated interim financial report was approved by the Board of Directors on 13 March 2008.

### Note 3. Significant accounting policies

The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2007.

### Note 4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of those assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated annual financial report as at and for the year ended 30 June 2007.

### Note 5. 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.

# GLENGARRY RESOURCES LIMITED

## Condensed Notes to the Consolidated Interim Financial Statements

### Note 6. Plant and equipment

#### *Acquisitions and disposals*

During the six months ended 31 December 2007 the Consolidated Entity acquired assets with a cost of \$4,564 (six months ended 31 December 2006 \$12,873).

No assets were disposed of during the six months ended 31 December 2007. During the six months ended 31 December 2006 a gain of \$909 was recognised on the disposal of assets.

### Note 7. Movements in ordinary share capital

	<b>31 December 2007 Shares</b>	31 December 2006 Shares	<b>31 December 2007 \$</b>	31 December 2006 \$
Opening balance	<b>249,177,528</b>	208,966,528	<b>10,931,205</b>	9,246,778
Placement of shares	<b>36,826,150</b>	24,000,000	<b>4,625,000</b>	1,008,000
Share purchase plan	-	14,861,000	-	624,162
Less: Transaction costs			<b>(11,950)</b>	(98,253)
Closing balance	<b>286,003,678</b>	247,827,528	<b>15,544,255</b>	10,780,687

### Note 8. Movements in reserves

	<b>31 December 2007 \$</b>	31 December 2006 \$
<i>Share-based payments reserve</i>		
Opening balance	<b>141,016</b>	70,090
Option expense	<b>89,044</b>	58,885
Closing balance	<b>230,060</b>	128,975
<i>Available-for-sale investments revaluation reserve</i>		
Opening balance	<b>(379,972)</b>	-
Revaluation	<b>(1,000,109)</b>	135,000
Transfer to net profit	<b>154,269</b>	-
Closing balance	<b>(1,225,812)</b>	135,000
Total reserves	<b>(995,752)</b>	263,975

## GLENGARRY RESOURCES LIMITED

### Condensed Notes to the Consolidated Interim Financial Statements

#### Note 9: Movements in accumulated losses

	<b>31 December 2007</b>	31 December 2006
	\$	\$
Opening balance	<b>(1,598,472)</b>	(5,151,877)
Net loss attributable to members of Glengarry Resources Limited	<b>(1,125,879)</b>	(654,497)
Closing balance	<b><u>(2,724,351)</u></b>	<u>(5,806,374)</u>

#### Note 10. Share based payments

On 20 November 2007 a total of 2,000,000 options were granted to Directors under the Consolidated Entity's Employee Share Option Plan. The options were issued in three tranches with 500,000 options vesting on 20 November 2007, 500,000 options to vest on 20 November 2008 and 1,000,000 options to vest on 20 November 2009. The options were issued at exercise prices ranging from \$0.205 to \$0.285 per option with an expiry date of 20 November 2012. The fair value of the options ranges from \$0.104 to \$0.115 per option. The basis of measuring fair value is consistent with that disclosed in the consolidated annual financial report as at and for the year ended 30 June 2007.

#### Note 11. Contingent liabilities

The Consolidated Entity has contingent liabilities at 31 December 2007 in respect of guarantees given for bank security bonds amounting to \$13,475 (2006 - \$30,000), secured by cash deposits lodged as security with the bank.

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

#### Note 12. Events occurring after reporting date

The Consolidated Entity has investments in listed companies and these are recorded in the Balance Sheet at fair value. The fair value of these investments at 31 December 2007 was \$2,294,611. As at 12 March 2008 the fair value of these investments has reduced by \$472,154.

Other than set out above, no matter or circumstance has arisen since 31 December 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.

## GLENGARRY RESOURCES LIMITED

### Directors' Declaration

In the opinion of the directors of Glengarry Resources Limited:

- (a) The financial statements and notes set out on pages 6 to 12 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (ii) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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



**D R Richards**  
Managing Director

Perth  
13 March 2008



## **Independent auditor's review report to the members of Glengarry Resources Ltd**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Glengarry Resources Ltd, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement or description of accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Glengarry Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Glengarry Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

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T R Hart  
*Partner*

Perth  
13 March 2008