

# **Glengarry Resources Limited**

**Interim Report**

**31 December 2006**

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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 2006 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

#### Review of operations

##### *Financial Position*

The net consolidated loss for the half-year was \$654,497. Included in the loss is exploration expenditure written off of \$205,761.

During the half-year the Company had a net increase in issued capital equity of \$1,533,909 (from \$9,246,778 to \$10,780,687) 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 14,861,000 ordinary shares at 4.2 cents each; and
- payment of share issue costs transaction costs of \$98,253.

At the end of the half-year the Consolidated Entity had net cash balances of \$1,920,913 and net assets of \$5,238,288.

Total liabilities amounted to \$193,309 and were limited to trade and other creditors and employee entitlements.

##### *Exploration*

Glengarry Resources Limited maintained an active exploration program during the second half of 2006 with main focus being on the Greenvale Project in North Queensland. Highlights from work at Greenvale included:

- Positive results from metallurgical test work completed at the Maitland copper prospect where a JORC compliant inferred resource containing approximately 21,000 tonnes of copper metal was defined. Further drilling is planned for March 2007 to test the continuity and extents of high grade (>3% copper) shoots.
- Definition of strong soil anomalies at the Mt Remarkable gold and T3 base metal prospects. Initial drill testing of these targets is also scheduled for March 2007.

Late in 2006, Glengarry announced its intention to seek expressions of interest for the uranium assets at Greenvale which included the relatively small Oasis uranium deposit previously discovered by Esso in 1978. The divestment of the Greenvale uranium rights will realise significant value for Glengarry and should be completed in the March quarter of 2007. A Heads of Agreement was also signed with Beacon Minerals Limited over the older Lucky Creek group of tenements which comprise the north eastern part of the Greenvale Project and cover some 10% of the total Project area.

## GLENGARRY RESOURCES LIMITED

### Directors' report

In 2007, Glengarry will focus on the western and southern tenements at Greenvale where it retains sole rights to all minerals except uranium and where there is good potential for discovery of major gold and/or base metal deposit.

Elsewhere in Queensland, exploration was carried out on the Cannington and Snake Creek Projects located in the Mt Isa region. At Cannington, an infill geophysical survey confirmed a strongly conductive body that may be due to base metal sulphides immediately east of the Crackpot prospect where gossanous float containing high lead and molybdenum values had been recorded. The conductive zone has not been previously tested by drilling which will be completed as soon as a suitable drill rig can be contracted.

At Snake Creek, joint venture partner Xstrata Copper recorded strongly anomalous copper, gold and uranium values but withdrew from the JV as they did not consider the targets large enough to meet their corporate requirements. Xstrata's exploration was wide spaced and there is good potential to define significant mineralisation that could be profitably exploited by Glengarry. Glengarry will carry out infill exploration during the first half of 2007.

Further analysis of historical exploration data from the Citadel Project located in the Telfer region of northwest WA has identified multiple targets prospective for gold and copper. There is also good potential for uranium mineralisation similar to the world class Kintyre uranium deposit (36 Kt U<sub>3</sub>O<sub>8</sub>) which is located south of the Project area in the same geological sequence. The Citadel Project is located in remote desert country and the Company is currently considering the best strategy to advance exploration.

A high grade gold target has been defined at the Acacia North prospect at the Rum Jungle Project located in the Northern Territory approximately 60 kilometres south of Darwin. Follow up drilling will be completed as soon as suitable drill rig can be contracted to complete the work.

### *Corporate*

The Company raised \$1,632,162 (before costs) via a combined 15% placement and share purchase plan. A total of 38,861,000 shares fully paid at 4.2 cents were issued increasing the Company's total issued capital to 247,427,528 shares. The funds will be used to advance exploration on targets within the Company's Australian projects.

Glengarry was allocated 3,000,000 shares in Mantle Mining Corporation Limited which listed on the ASX in November 2006. The shares (which equate to some 6.5% of Mantle Mining) are in consideration for the Charters Towers Project which was acquired by Mantle.

### **Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2006 is set out on page 5.



D Richards  
Managing Director  
Perth, Western Australia

13th March 2007



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

To: the directors of Glengarry Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2006 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.

*KPMG*  
KPMG  


T R Hart  
*Partner*

Perth  
13 March 2007

**GLENGARRY RESOURCES LIMITED**

**Consolidated Income Statements**  
**For the half-year ended 31 December 2006**

	<b>Half-year 2006 \$</b>	<b>Half-year 2005 \$</b>
<b>Revenue from continuing operations</b>	<b>45,259</b>	39,341
Employee benefits expense	<b>(258,476)</b>	(162,707)
Depreciation expense	<b>(7,613)</b>	(4,243)
Exploration expense	<b>(205,761)</b>	(487,035)
Administration expense	<b>(227,906)</b>	(208,561)
<b>Loss before income tax</b>	<b>(654,497)</b>	(823,205)
Income tax expense	<b>-</b>	-
<b>Loss attributable to members of Glengarry Resources Limited</b>	<b>(654,497)</b>	(823,205)
<b>Earnings per share for loss attributable to the ordinary equity Holders of the Company:</b>	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	<b>(0.29)</b>	(0.48)

*The above Income Statements should be read in conjunction with the Notes to the Financial Statements*

**GLENGARRY RESOURCES LIMITED**

**Consolidated Balance Sheets**

As at 31 December 2006

	<b>31 December 2006</b>	30 June 2006
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	<b>1,920,913</b>	1,475,251
Trade and other receivables	<b>112,120</b>	78,575
Assets classified as held for sale	<b>250,210</b>	600,000
Total current assets	<b>2,283,243</b>	2,153,826
<b>Non-current assets</b>		
Available-for-sale financial assets	<b>735,000</b>	-
Plant and equipment	<b>50,050</b>	44,791
Exploration and evaluation	<b>2,363,304</b>	2,212,338
Total non-current assets	<b>3,148,354</b>	2,257,129
<b>Total assets</b>	<b>5,431,597</b>	4,410,955
<b>Current liabilities</b>		
Trade and other payables	<b>193,309</b>	245,964
<b>Total liabilities</b>	<b>193,309</b>	245,964
<b>Net assets</b>	<b>5,238,288</b>	4,164,991
<b>Equity</b>		
Issued capital	<b>10,780,687</b>	9,246,778
Reserves	<b>263,975</b>	70,090
Accumulated losses	<b>(5,806,374)</b>	(5,151,877)
<b>Total equity</b>	<b>5,238,288</b>	4,164,991

*The above Balance Sheets should be read in conjunction with the Notes to the Financial Statements*

GLENGARRY RESOURCES LIMITED

**Consolidated Statement of Changes in Equity**  
For the period ended 31 December 2006

	Half-year 2006 \$	Half-year 2005 \$
<b>Issued capital</b>		
Balance at the beginning of the half year	9,246,778	7,071,146
Contributions of equity net of transaction costs	1,533,909	889,789
Balance at the end of the half-year	<b>10,780,687</b>	7,960,935
<b>Reserves</b>		
<i>Share-based payments reserve</i>		
Balance at the beginning of the half-year	70,090	-
Employee share options	58,885	5,815
Balance at the end of the half-year	<b>128,975</b>	5,815
<i>Available-for-sale investments revaluation reserve</i>		
Balance at the beginning of the half-year	-	-
Adjustment to reserves on adoption of AASB 132 and AASB 139	-	5,200
Revaluation of available for sale financial assets	135,000	7,805
Balance at the end of the half-year	<b>135,000</b>	13,005
<b>Total reserves for the half-year</b>	<b>263,975</b>	18,820
<b>Accumulated losses</b>		
Balance at the beginning of the half-year	(5,151,877)	(3,224,441)
Loss for the half-year	(654,497)	(823,205)
Balance at the end of the half-year	<b>(5,806,374)</b>	(4,047,646)

*The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements*



**GLENGARRY RESOURCES LIMITED**

**Consolidated Cash Flow Statement**  
**For the period ended 31 December 2006**

	Half-year 2006 \$	Half-year 2005 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of goods and services tax)	(389,115)	(346,841)
Interest received	43,915	36,831
<b>Net cash outflows from operating activities</b>	<b>(345,200)</b>	<b>(310,010)</b>
<b>Cash flows from investing activities</b>		
Payments for plant & equipment	(44,926)	(2,567)
Exploration and evaluation expenditure	(685,030)	(465,013)
Proceeds from sale of non-current assets	909	364
Payments for security deposits	(14,000)	(7,500)
<b>Net cash outflows from investing activities</b>	<b>(743,047)</b>	<b>(474,716)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,632,162	947,303
Transaction costs	(98,253)	(57,514)
<b>Net cash inflow from financing activities</b>	<b>1,533,909</b>	<b>889,789</b>
<b>Net increase in cash and cash equivalents held</b>	<b>445,662</b>	<b>105,063</b>
Cash and cash equivalents at the beginning of the half-year	1,475,251	1,186,288
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,920,913</b>	<b>1,291,351</b>

*The above Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements*

## GLENGARRY RESOURCES LIMITED

### Notes to the 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 2006 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2006 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 2006.

The consolidated interim financial report was approved by the Board of Directors on 13th March 2007.

#### 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 2006.

#### Note 4 Estimates

The preparation of the interim financial report requires management to make judgments, 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 judgments 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 reports at and for the year ended 30 June 2006.

#### 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 only in Australia.

**GLENGARRY RESOURCES LIMITED****Notes to the Financial Statements****Note 6 Profit for the half-year**

	<b>Half-year 2006</b>	Half-year 2005
	\$	\$

Profit for the half-year includes the following items that are unusual due to their nature, size or incidence:

<b>Expenses</b>		
Exploration expenditure written off	<b>205,761</b>	487,035

**Note 7 Equity securities issued**

	<b>2006</b>	2005	<b>2006</b>	2005
	Shares	Shares	\$	\$
<b>Issues of ordinary shares during the half-year</b>				
Placement of shares	<b>24,000,000</b>	23,682,590	<b>1,008,000</b>	889,789
Share purchase plan	<b>14,861,000</b>	-	<b>624,166</b>	-
	<b>38,861,000</b>	23,682,590	<b>1,632,166</b>	889,789

**Note 8 Property, plant and equipment***Acquisitions and disposals*

During the six months ended 31 December 2006 the Consolidated Entity acquired assets with a cost of \$12,873 (six months ended 31 December 2005 \$2,567).

Assets with a carrying amount of Nil were disposed of during the six months ended 31 December 2006 (six months ended 31 December 2005 \$543) resulting in a gain on disposal of \$909 (six months ended 31 December 2005: loss of \$179), which is included in income.

**Note 9 Exploration tenements***Disposals*

Tenement assets with a carrying amount of \$600,000 were disposed of during the six months ended 31 December 2006 (six months ended 31 December 2005 - Nil) resulting in a gain on disposal of \$Nil.

**Note 10 Share based payments**

In 2004 the Consolidated Entity established a share option scheme that entitles employees to purchase shares in the entity. The terms and conditions of the Employee Incentive Scheme are disclosed in the consolidated financial report as at and for the year ended 30 June 2006.

During the six months ended 31 December 2006 no further options have been granted.

## **GLENGARRY RESOURCES LIMITED**

### **Notes to the Financial Statements**

#### **Note 11 Contingent liabilities**

The Consolidated Entity has contingent liabilities at 31 December 2006 in respect of guarantees given for bank security bonds amounting to \$30,000 (2005 - \$30,000), secured by a floating charge over the assets of the Consolidated Entity.

No material losses are anticipated in respect of the above.

#### **Note 12 Events occurring after the balance sheet date**

On 25 January 2007 the Company announced that a Sales Agreement with Mega Georgetown Pty Ltd (Mega Georgetown) has been signed for Mega Georgetown to acquire Glengarry's Greenvale Project uranium assets in North Queensland. Mega Georgetown is a wholly owned subsidiary of TSX listed Mega Uranium Limited ("Mega").

In return for issuing Glengarry 750,000 shares and a 1% Net Smelter Royalty, Mega will acquire the following interests:

- 100% interest in EPM 15049 which includes the Oasis uranium prospect.
- Glengarry's right to 80% of any uranium discovery on EPM 14987 which is currently held by Metallica Minerals Limited.
- 100% of the uranium rights on Glengarry's remaining wholly owned tenements that comprise the Greenvale Project.

Glengarry retains the exclusive rights to explore for all other minerals on the Company's wholly owned tenements at Greenvale.

**GLENGARRY RESOURCES LIMITED**

**Directors' Declaration**

In the directors' opinion:

- (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 other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, 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 made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'D Richards', written in a cursive style.

**D Richards**  
Managing Director

Perth  
13th March 2007



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

### **Report on the Financial Report**

We have reviewed the accompanying half-year financial report of Glengarry Resources Limited, which comprises the consolidated interim balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration of the consolidated entity 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 designing, implementing 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 consolidated entity's financial position as at 31 December 2006 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 Limited, 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 Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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

KPMG

A handwritten signature in black ink, appearing to read 'T R Hart'.

T R Hart  
*Partner*

Perth  
13 March 2007