

## September 2006 Quarterly Report

### **Highlights**

#### **Greenvale Project (North Queensland)**

- At Maitland, a JORC compliant inferred resource containing approximately **21,000 tonnes of copper metal** has been estimated. An independent scoping study and metallurgical testwork indicate good potential for the profitable development of the resource.
- Assays from the latest drilling at the Oasis uranium prospect confirm the continuity, grade and depth potential of the mineralised zone. Drill hole intersections include:

**5 metres @ 0.15% U<sub>3</sub>O<sub>8</sub> (3.3 lbs/t) from 92 metres**  
**2 metres @ 0.15% U<sub>3</sub>O<sub>8</sub> (3.3 lbs/t) from 170 metres**

The results are very encouraging given the increase in the uranium price to US\$56 per pound of U<sub>3</sub>O<sub>8</sub>.

#### **Other Projects**

- At Cannington in western Queensland, a regional IP geophysical survey has delineated a strong conductive anomaly beneath soil cover immediately east of the Crackpot prospect where previous float sampling has recorded strongly anomalous base metal values. The IP target has not been tested by previous drilling and may represent primary base metal sulphide mineralisation.
- Compilation of previous exploration data from the Rum Jungle Project in the Northern Territory has identified a high grade gold target at the Acacia North prospect. Previous drilling has intersected **6 metres @ 11.3 g/t gold** which is open in all directions.

#### **Corporate**

- Approximately \$1.6 million (before costs) was raised via a combined placement and Share Purchase Plan. The funds will be used to advance exploration on the Company's wholly owned Projects in Australia.
- Global US-based commodities group Sempra Metals & Concentrates Corp. subscribed for 5,000,000 shares in the capital raising.

### ***Plans for the December 2006 Quarter***

- Continue economic assessment of the inferred copper resource at Maitland and plan step out drilling of the recently discovered hanging wall zone.
- Complete target definition work at other advanced prospects on the Greenvale Project and plan follow up drilling.
- Carry out infill geophysics on the Crackpot prospect at Cannington and plan follow up drilling.
- Advance grant of tenure at Citadel and Rum Jungle Projects.

**Project Activities Report**

**Greenvale Project (North Queensland) – JORC compliant inferred resource estimated for Maitland copper deposit.**

The Company continued to focus on the Greenvale Project (Figure 1) during the Quarter. Results from drill programs at the Maitland and Oasis prospects were assessed, confirming their economic potential. Target definition work continued on the other prospects and results justify follow up drill testing.

*Maitland Copper-Molybdenum Prospect*

A JORC compliant inferred mineral resource of 1.6 million tonnes @ 1.29% copper (0.75% lower cut off) has been estimated for the Maitland prospect.

The inferred resource is based on data from drilling carried out in the 1960's and from three phases of drilling completed by Glengarry since August 2005. A total of 62 drill holes for 6,113 metres were used in the resource estimation. Drill hole spacing in the oxidized material averages 20 metres while the primary zone has

been intersected by holes 40 to 80 metres apart and to a vertical depth of approximately 150 metres (Figure 2).

A preliminary scoping study completed by independent consultants indicates good potential to upgrade the resource to a reserve that could be profitably mined and subsequently treated by a third party mill up to 200 kilometres from the prospect. Initial results from metallurgical test work indicate excellent metal recoveries (~99%) in the primary zone and up to 75% metal recovery in the oxidised material which comprises approximately 12% of the inferred resource.

Further metallurgical test work is planned to determine whether the copper mineralisation could be upgraded onsite prior to trucking to a third party mill. An independent, conceptual engineering study has also been commissioned to estimate the capital costs associated with establishing a mining operation based on the known resource.

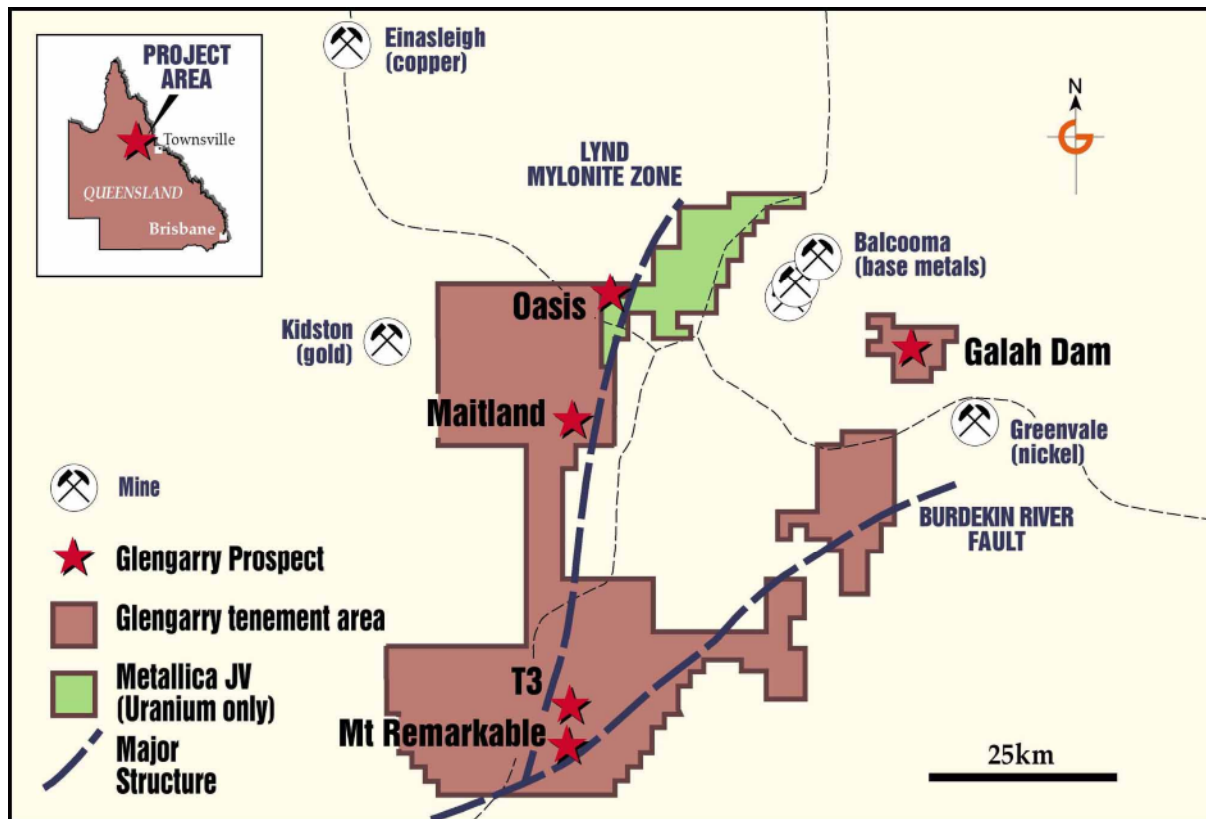


Figure 1: Greenvale Project Area

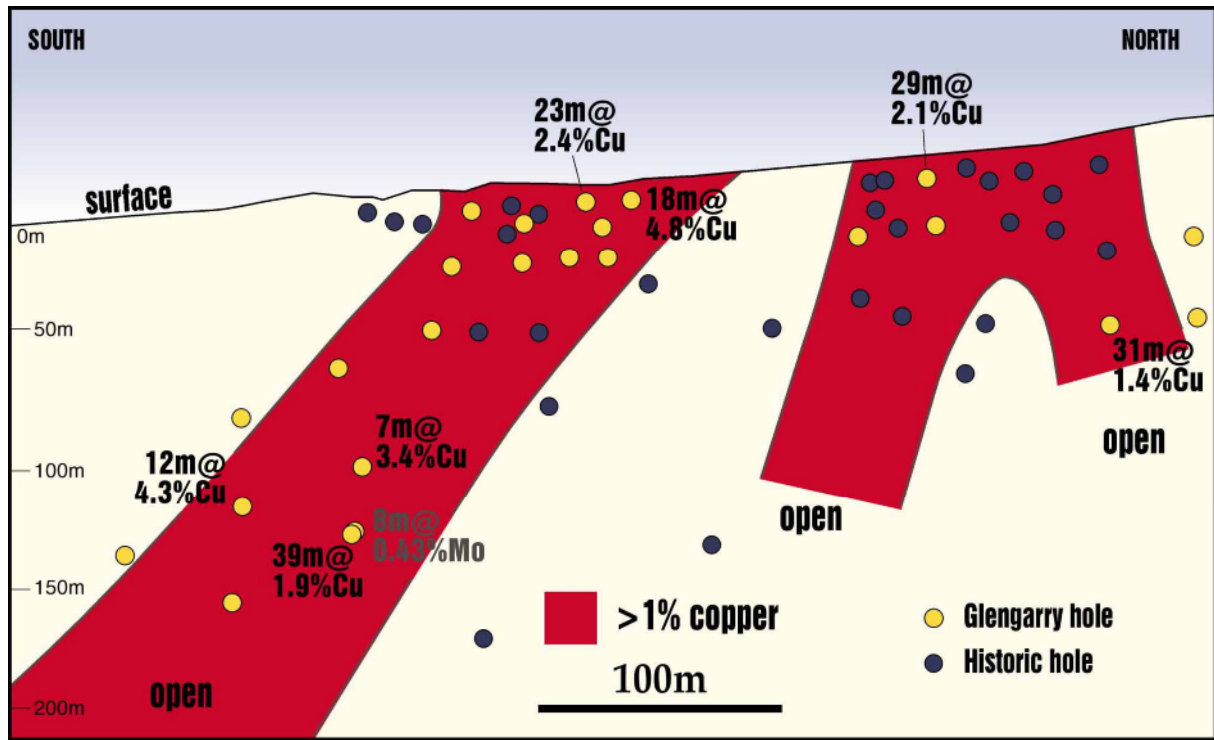


Figure 2: Maitland Prospect - Longitudinal Section

There is significant potential to enhance the economic value of the Maitland deposit. The mineralisation appears to have good continuity, has been intersected to 150 metres below the surface and is open at depth (Figure 2). The latest drilling also intersected a previously unrecognised hanging wall zone (up to 31 metres @ 1.4% copper from 26 metres) at the northern end of the prospect which is open along strike and at depth. Additionally, a high grade molybdenum zone (up to 8 metres @ 0.43% from 143 metres) has been intersected immediately above the main zone of copper mineralisation. Molybdenum credits were not considered in the preliminary review of the inferred resource; however, given the current molybdenum price of approximately US\$28 per pound, the molybdenum content could significantly increase the economic potential of the deposit.

Drilling is planned to recommence at Maitland as soon as a suitable drill rig can be contracted.

#### Oasis Uranium Prospect

Assay results were received for two diamond core holes (total 296 metres) drilled in June 2006 at the Oasis uranium prospect. The results confirm that the mineralised zone intersected by previous

drilling at Oasis is continuous and open at depth (Figures 3 and 4).

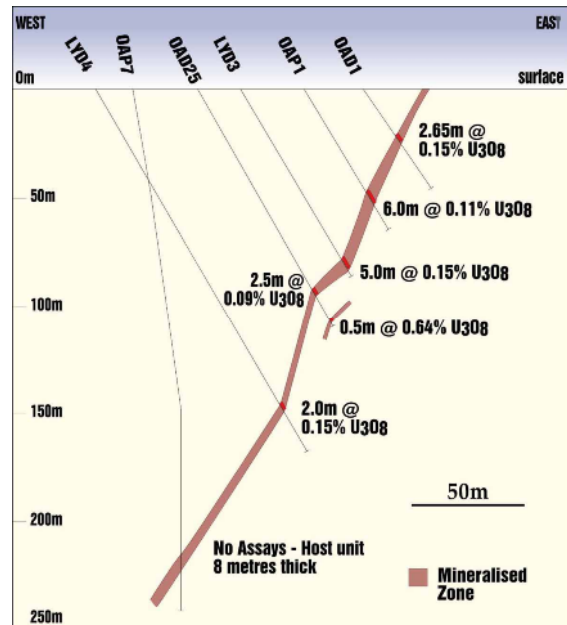


Figure 3: Oasis Prospect – Drill Section 7918715N

The mineralised zone at Oasis is up to 15 metres thick and has been intersected over a strike length of 300 metres. Mineralisation is hosted by a north-south trending structure (Oasis Shear) that is largely obscured by a thin layer of alluvial sediments. There is good potential to define additional zones of open pittable uranium mineralisation along this structure.

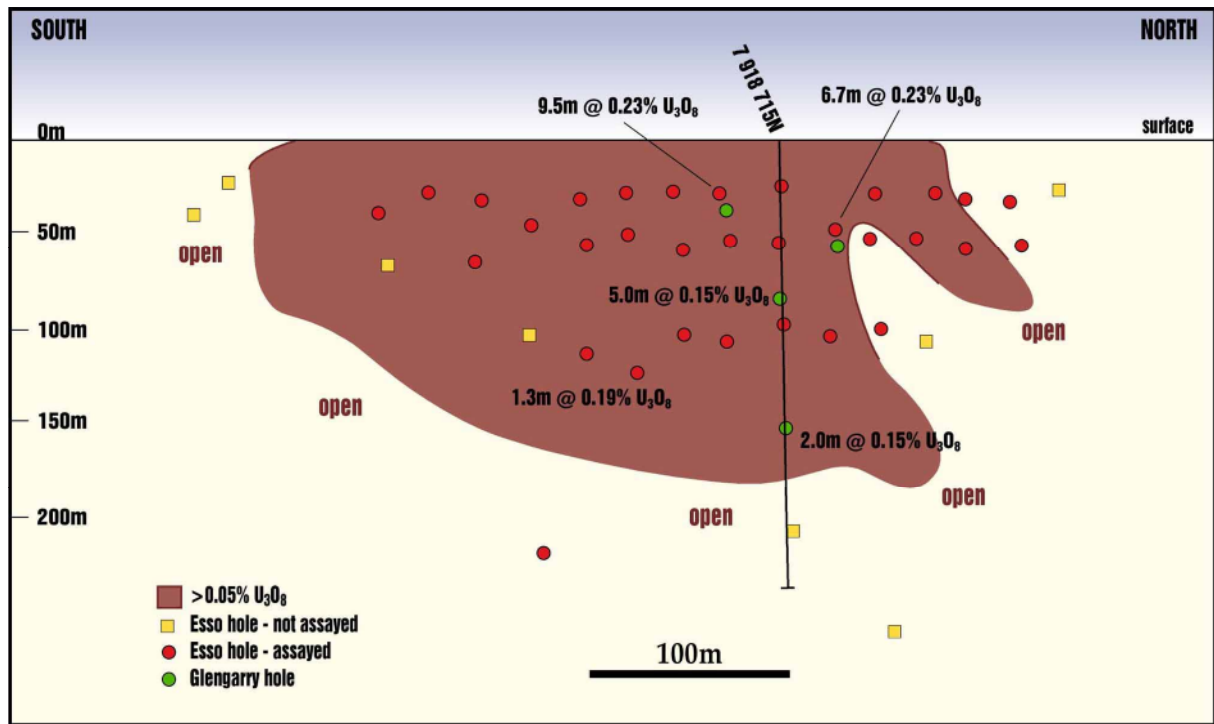


Figure 4: Oasis Prospect – Longitudinal Section

Glengarry has approximately 1 kilometre of the prospective Oasis Shear on its wholly owned tenure and has secured the remaining part of the structure via a joint venture with Metallica Minerals (Figure 5).

*Metallica Joint Venture (EPM14987)*

The Metallica Joint Venture (MJV) covers the southern extension of the mineralised Oasis shear (Figure 5).

(EPM14987) which is currently held by Metallica Minerals Limited.

Field checking of low order soil anomalies coincident with northern part of the Oasis shear on the Metallica JV was carried out during the month. This area is largely obscured by shallow alluvium and no obvious source for anomalies was defined. A costeaning program designed to expose the bedrock beneath the soil cover is planned for the December quarter.

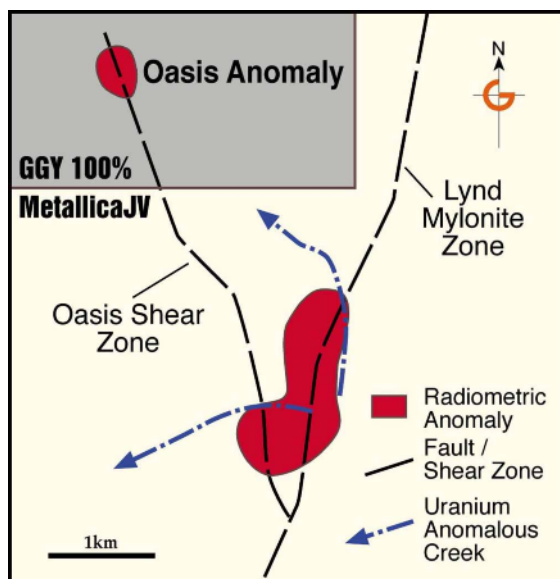


Figure 5: Plan of Oasis and Metallica JV Areas

Glengarry has the right to earn 80% of the uranium rights on the tenement

*T3 Silver-Lead-Zinc Prospect*

All assays have been received for a 200 by 50 metre soil sampling program (1,820 samples) completed across the T3 area last quarter. Assays recorded strongly anomalous multi-element geochemistry including up to 3.4 g/t silver, 776 ppb gold, 760 ppm copper, 81 ppm molybdenum, 924 ppm lead and 1,255 ppm zinc. The values are consistent with Balcooma style mineralisation and an infill soil sampling has been completed to assist with optimal drill testing of the anomalies. Assays are pending for the infill soil samples.

The Dry River South silver-lead-zinc deposit being mined by Kagara Zinc at Balcooma approximately 60 kilometres to the north does not outcrop and was discovered by an EM geophysical survey. Potential exists for similar deposits in the



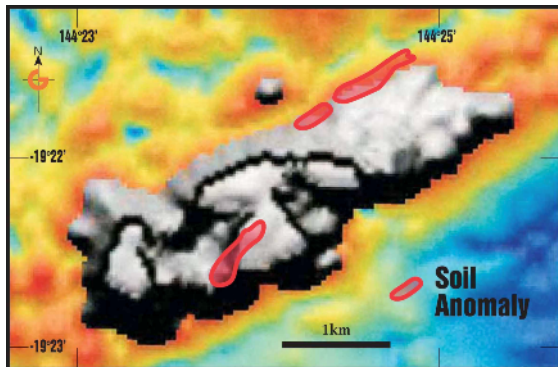
T3 area and a helicopter EM survey was flown over the anomalous areas during the quarter. Results are currently being processed to detect responses that may be indicative of buried massive sulphides.

Initial drill testing of targets in the T3 area is scheduled for the December quarter dependent on drill rig availability.

*Mt Remarkable Gold Prospect*

A 200 by 50 metre soil sampling program comprising 610 samples was completed across the Mt Remarkable magnetic anomaly during the quarter. The soil sampling was designed to locate the source of strongly anomalous gold recorded by stream sampling completed in the 1980's and 1990's.

Results for the soil sampling delineated a coherent, plus 500 metre gold anomaly (up to 58 ppb) coincident with the north eastern margin of the magnetic anomaly (Figure 6). A lower order gold anomaly (>10 ppb) associated with elevated copper (>100 ppm) and silver (>0.5 g/t) was also defined near the centre of the magnetic anomaly.



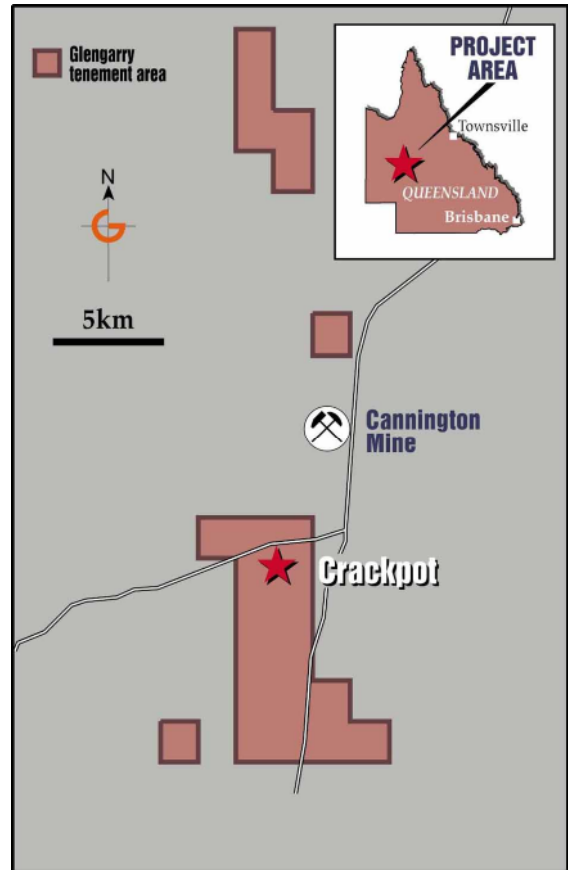
**Figure 6: Mt Remarkable magnetic image showing gold soil anomalies**

Infill soil sampling and geological mapping will be carried out to better define the source of the gold anomalism. The stronger north eastern anomaly is still open and further soil sampling is planned to determine its full extent.

Drill testing will be planned once all soil sample results have been received.

**Cannington Project (Western Queensland) – Geophysics defines strong anomaly near Crackpot gossan.**

The wholly owned Cannington Project tenements are located immediately north and south of BHP Billiton's 40 - 50 million tonne Cannington silver-lead-zinc mine (Figure 7).



**Figure 7: Cannington Project Area**

Results have been received for an IP survey completed last quarter over the Crackpot area where strongly anomalous lead (up to 0.24%) and molybdenum (up to 0.29%) have been recorded in gossanous float. IP is an electrical technique designed to detect primary sulphides which are the source of gossanous material.

The IP survey defined a highly conductive body immediately east of the gossanous float at Crackpot between 35 and 70 metres depth that may represent base metal sulphide mineralisation (Figure 8).

Glengarry has previously undertaken limited drilling (2 holes) immediately west of the IP anomaly which intersected anomalous copper and molybdenum values in weathered rock but the source of the gossanous float had not been determined. Importantly, the newly

defined IP anomaly has not been tested by previous drilling.

The IP survey on Glengarry's tenement was part of a larger survey recently completed by BHP Billiton on its adjacent mine tenements. BHP Billiton's survey was completed on lines 400 metres apart and is not detailed enough to allow optimal siting of follow up drilling. An infill IP survey is in progress to better define the anomaly for drill testing.

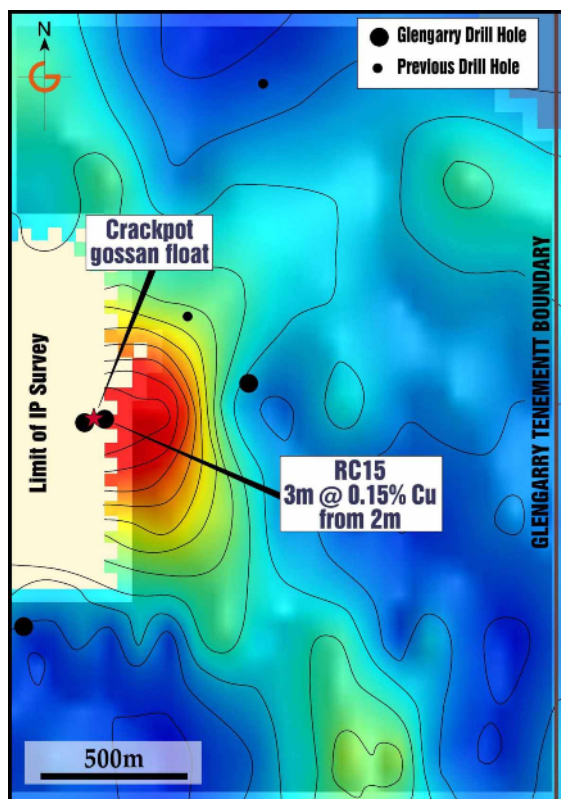


Figure 8: Image showing IP anomaly east of Crackpot gossan float.

**Citadel Project (Northwest Western Australia) – Data review confirms exploration potential.**

The wholly owned Citadel Project covers approximately 1,700 square kilometres in the Paterson geological province and is located 100 kilometres north of the Telfer gold mine in northwest Western Australia. The region contains several world class metal deposits including Telfer (26 M oz gold, 1 Mt copper), Nifty (1 Mt copper) and Kintyre (24 Kt tonnes U<sub>3</sub>O<sub>8</sub>).

All previous exploration data has been compiled and a detailed review has identified a number of priority targets for follow up drilling.

Drilling by previous explorers at the Magnum prospect located within the Citadel Project recorded a number of significant intersections including:

- **8 metres @ 3.5 g/t gold and 4.4% copper from 279 metres**
- **4 metres @ 11.7 g/t gold from 261 metres**
- **15 metres @ 14.1 g/t gold from 464 metres**
- **5 metres @ 1.23 g/t gold and 2.43% copper from 211 metres**

Glengarry's review confirms that the mineralisation at Magnum remains open along strike and at depth and that there is good potential for the discovery a multi million ounce gold deposit.

An assessment of the regional datasets beyond the immediate Magnum prospect has also indentified eight targets 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 are similar or better than those recorded by the initial aircore drilling across the Magnum prospect area.

The tenement applications are expected to be granted in time to allow fieldwork to commence in April 2007.

**Rum Jungle Project (Northern Territory) – High grade gold target identified.**

Glengarry's Rum Jungle Project covers approximately 140 square kilometres in the Rum Jungle area located 65km south of Darwin in the Northern Territory. The Project is proximal to the historical Rum Jungle uranium mine (3,530 tonnes U<sub>3</sub>O<sub>8</sub>) and the Woodcutters lead-zinc mine (~6 Mt @ 12% zinc and 6% lead).

Compilation of previous exploration data has been completed and a high grade gold target has been identified. Previous drilling at the Acacia North prospect intersected 6 metres @ 11.3 g/t gold from 72 metres depth which is open in all directions. The mineralisation is

coincident with a mafic sill/sediment contact and geochemically anomalous gold values have been intersected over a 1 kilometre strike length.

Native Title has been extinguished over the area and the Acacia North tenement application should be granted shortly. Fieldwork is scheduled to commence in 2007 after the northern Australian wet season.

**Charters Towers Project (North Queensland) – Divested to pending IPO**

Glengarry has agreed to sell the Charters Towers Project to Mantle Mining Corporation Limited who is scheduled to list on the ASX in November 2006. Mantle has a number of advanced gold projects and Glengarry will be allocated 3,000,000 shares in Mantle following listing (equating to some 6.5% of Mantle Mining).

**Snake Creek Project (Northwest Queensland) – Initial soil sampling completed over central area.**

The Snake Creek Project, located in northwest Queensland approximately 125 kilometres east southeast of Mt Isa, is considered prospective for copper-gold mineralisation.

The Project is subject to a joint venture agreement with Xstrata Copper which has the right to earn up to a 75% interest by spending \$3 million on exploration.

Xstrata Copper has completed the initial phase of soil sampling planned for the central part of the Project. Copper values up to 757 ppm have been recorded; however, no coherent zones of anomalism considered significant by Xstrata have been defined. Further sampling is currently being considered.

**Mount Guide Project (Northwest Queensland) – Glengarry to dilute to free carried interest.**

The Mt Guide Project, located in northwest Queensland approximately 35 kilometres south of Mt Isa, is considered prospective for base metal and gold mineralisation. The Project covers 13 kilometres of the southern strike extension of the Mount Isa

Paroo Fault, which is known to be the structural control on a number of world class deposits to the north including the Mount Isa and Hilton base metal mines.

The Project was subject to a joint venture agreement with Summit Resources Limited. Summit had the right to earn up to 80% interest by spending \$500,000 on exploration.

Summit advised last quarter that they had met the \$500,000 expenditure required to earn 80% equity in the Joint Venture. Following a review of all exploration results, Glengarry has elected not to contribute to the next phase of Joint Venture expenditure and the Company's 20% Joint Venture interest will convert to a 10% Joint Venture interest which is to be free carried until completion of a Bankable Feasibility Study.

## **Corporate**

### *Capital Raising*

During the quarter, the Company undertook a capital raising that raised \$1,632,166 (before costs). The funds will be used to advance exploration programs at the Company's wholly owned Greenvale and Cannington Projects in North Queensland.

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 are clients of Patersons.

Under the SPP, up to \$5,000 worth of shares (119,000 shares @ 4.2 cents) was offered to each registered holder of ordinary Glengarry shares at 5.00pm WST, Thursday 14 September 2006. 192 shareholders participated in the SPP which raised a total of \$624,166.

Glengarry Resources Limited now has 247,427,528 shares on issue.

### *Sempra Metals*

Global US-based commodities group Sempra Metals & Concentrates Corp. subscribed for 5,000,000 Glengarry shares in the above placement. Sempra has

made strategic investments in several other emerging publicly listed Australian resource companies and Glengarry considers their participation as an acknowledgment of the base metals potential of the Greenvale and Cannington Projects.

### *Cash Position*

At the end of September 2006, Glengarry had approximately \$2.2 million in cash.



**David Richards**  
Managing Director  
19<sup>th</sup> October 2006

### **Declaration**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by David Richards who is a member of the Australian Institute of Geoscientists and Kevin Seymour who is a member of the Australasian Institute of Mining and Metallurgy. David Richards and Kevin Seymour are full time employees of Glengarry Resources Limited. David Richards and Kevin Seymour have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. David Richards and Kevin Seymour consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

## **COMPANY INFORMATION**

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### **MANAGING DIRECTOR**

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### **STOCK EXCHANGE LISTING**

Glengarry Resources Limited shares are listed on  
the Australian Stock Exchange

Shares - Code GGY

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