GLENGARRY

7 September 2005

Manager Company Announcements
Company Announcements Office
Australian Stock Exchange Limited *by e-Lodgement*
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam

2005 ANNUAL REPORT

The Directors of Glengarry Resources Limited hereby lodge a copy of the 2005 Annual Report.

Yours faithfully

David Richards
Managing Director

GLENGARRY RESOURCES LIMITED
ABN 40 009 468 099
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Glengarry Resources Limited

Annual report 2005

Glengarry Resources Limited ABN 40 009 468 099
Annual report – 30 June 2005

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Corporate directory

Directors
K G McKay BSc (Hons), FAusIMM
Chairman

D R Richards BSc (Hons), MAIG
Managing Director

I J Gordon BComm (Corporate Administration)

A T Harris FCA

Secretary
A T Harris FCA

Share register
Advanced Share Registry Services
110 Stirling Highway
Nedlands 6009
(08) 9389 8033

Auditor
PricewaterhouseCoopers
Chartered Accountants
"QV1"
250 St Georges Terrace
Perth 6000

Solicitors
Mark R Edwards
4 Kangaroo Parade
Yallingup 6282

Bankers
Australia and New Zealand Banking Group Limited
77 St George's Terrace
Perth 6000

Stock exchange listings
Glengarry Resources Limited shares are listed on the Australian Stock Exchange

Ordinary fully paid shares (ASX code GGY)

Principal registered office in Australia
35 Havelock Street
West Perth 6005
(PO Box 975, West Perth 6872)

Telephone	(08) 9322 4929
Facsimile	(08) 9322 5510
Email	info@glengarrynl.com.au
Website	www.glengarrynl.com.au

Notice of annual general meeting
The annual general meeting of Glengarry Resources Limited

will be held at	City West Function Centre "The Sutherland Room" 45 Plaistowe Mews City West Centre West Perth
time	11am
date	Monday 28 November 2005

A formal notice of meeting is enclosed.

GLENGARRY RESOURCES LIMITED and controlled entities

Chairman's report

On behalf of fellow Directors of Glengarry Resources, Allan Harris, Ian Gordon and David Richards, I am pleased to present the 2005 Annual Report of your Company.

Glengarry has conducted a very active and cost effective exploration program in the past year. We believe that significant progress has been made towards our number one objective of discovering and developing a profitable mining operation. Your Board is very enthusiastic about this progress and I would like to briefly outline the reasons for our optimism.

Early in the year the Management and Board of your Company undertook a comprehensive review of corporate procedures and exploration activities. This led to a clearer identification of Glengarry's objectives and the best strategies to achieve these objectives. For those interested, I direct you to Glengarry's website where these "Objectives and Strategies" are documented.

As a result of this review, your Company initially prioritized all then eight projects and has subsequently made a conscious effort to focus on fast tracking the better projects. The key projects identified for priority attention were Greenvale and Charters Towers, both in North Queensland and both wholly owned. Most other projects were either farmed out during the year or surrendered if a joint venture partner could not be obtained.

I am pleased to report that the strategy in directing the bulk of our time and available funds towards our better projects is beginning to bear fruit. The Greenvale Project in particular is showing considerable promise for several metal types. The Project covers an area of some 2,800 square kilometers in an area well known for its widespread multi-metal mineralisation. Our exploration program at Greenvale has defined gold, silver, uranium and base metal (copper, lead and zinc) targets. We have already conducted an initial drilling program on the Galah Dam gold-zinc prospect with encouraging results and drilling of the Maitland copper prospect (an old copper mine) is in progress. Additionally, we have commenced a uranium exploration program at Greenvale and drill testing of the Oasis uranium prospect will commence shortly. A small uranium deposit with potentially economic grades has already been defined by previous explorers at Oasis in the 1970's.

We believe that Glengarry has a portfolio of quality projects with significant exploration potential. The projects in North Queensland are all very under-explored by Western Australian standards and we will continue to focus in this region in the coming year.

I would like to take this opportunity to thank the hard working Management and employees of Glengarry for their efforts in the past twelve months. A special thanks to Managing Director David Richards and Exploration Manager Kevin Seymour for their lead role in developing the Company's new strategy.

Thanks also to my fellow Board members. We maintain a relatively small Board which is able to meet at short notice and make timely and effective decisions. This is my first year as Chairman of your Company having replaced long time Chairman Allan Harris when he retired at the last Annual General Meeting. Allan has been very supportive of the Company's new direction and was instrumental in initiating recent key Management changes. I would like to personally thank Allan for his efforts.

Finally, thanks to you the Shareholders of Glengarry for your continued loyalty and in particular for your support of the rights issue earlier in the year. I look forward to meeting you at the Company's Annual General Meeting.

I am confident that we will achieve significant exploration successes in the next twelve months and I also look forward to reporting on our progress this time next year.

Keith G McKay
Chairman
2 September 2005

Operations review

SUMMARY

Glengarry Resources Limited is a Perth-based junior exploration company undertaking mineral exploration in Australia. The Company's key projects are in North Queensland where it is exploring for gold, uranium and base metals.

Glengarry commenced the year with eight Australian projects including three projects that had previously been to other parties. Following a review of corporate strategies and objectives early in the year, it was decided to focus exploration efforts on the Company's more significant projects to maximise the chances of short term success.

Two key projects were selected for priority attention, the wholly owned Greenvale and Charters Towers Projects, both located in North Queensland and both representing large land positions in well mineralised areas. Most other projects were either farmed out or terminated during the year.

Highlights from exploration work completed at Greenvale during the year include:

- Definition of a geophysical anomaly beneath the historic Maitland copper workings indicating mineralisation is continuous at depth. Shallow drilling immediately below the workings in the 1960's intersected up to 21.4 metres @ 3% copper. An initial five hole drilling program to test geophysical targets is in progress.
- Delineation of a 50 kilometre long corridor prospective for high grade uranium mineralisation. The corridor hosts a number of uranium occurrences including the Oasis prospect where drilling in 1978 intersected up to 9.5 metres @ 0.23% U_3O_8. Numerous radiometric anomalies possibly indicative of further uranium mineralisation have also been defined along the corridor.
- Confirmation of extensive gold and zinc mineralisation at Galah Dam where drilling by Glengarry has intersected up to 12 metres @ 1.95% zinc and 4 metres @ 2.83 g/t gold.

Glengarry plans to continue its multi-commodity exploration program at Greenvale with an emphasis on uranium. The availability of previous exploration data and government airborne geophysical surveys mean that prospective areas can be identified and drill tested in a cost effective and timely manner.

The **Charters Towers Project** is located in one of Australia's premier historic gold mining regions and Glengarry has been active in the area since 1996. The Company's systematic exploration program has discovered and tested numerous gold prospects mostly hosted by narrow quartz veins. A small gold resource of some 109,000 ounces has also been defined by drilling at the Great Britain prospect. Recently, the Company elected cease exploration at Charters Towers to concentrate on its Greenvale Project. A joint venture partner is currently being sought to continue exploration at Charters Towers.

Glengarry has three properties in the Mt Isa region of northwest Queensland – the Cannington, Snake Creek and Mt Guide Projects. The wholly owned Cannington Project is located close to the world-class Cannington silver-lead-zinc mine currently operated by BHP Billiton. Glengarry has recently completed a detailed gravity survey on its Cannington ground over the Dolly Pot prospect and has identified a significant anomaly possibly indicative of buried base metal mineralisation. A drilling program is being planned.

The lower priority Snake Creek and Mt Guide Projects were joint ventured out during the year to Xstrata Copper and Summit Resources respectively. These companies are both active explorers in the region with large strategic land holdings.

Glengarry funded its aggressive exploration effort in the past year through a 1:4 entitlements issue which raised approximately $1.1 million and the sale of its 7.5% interest in the Larranganni Joint Venture for $250,000 cash. The Company intends to maintain a dynamic exploration program in the coming twelve months and will place a strong emphasis on drilling and other in-ground exploration. In addition, acquisition opportunities will continue to be assessed for their potential to add value to the Company.

Operations review (continued)

GREENVALE PROJECT (Glengarry 100%)

The Greenvale Project is situated 200 kilometres west of Townsville in North Queensland and is strategically located immediately east of the 4.5 million ounce Kidston Gold Mine and just south of Kagara Zinc's Balcooma base metal operations. During the year, four key tenements covering approximately 1,200 square kilometres were granted allowing field work to commence on these areas. Several new tenements covering 930 square kilometres were also recently applied for increasing the total Project area to 2,800 square kilometres. Changes to government procedures and streamlining of Native Title processes in Queensland mean that the new tenement applications should be granted before the end of 2005.

The Project hosts numerous gold, base metal and uranium occurrences and Glengarry has confirmed the potential of several prospects to host economic mineralisation. The Company has used a combination of regional geological and geophysical surveys generated by the Queensland government in 1999/2000 and historic exploration data from previous explorers dating from the 1960's to the 1990's, to identify prospective target areas. Fieldwork during the year included RC percussion drilling, Induced Polarisation (IP) geophysical surveying, geological mapping and geochemical sampling. Significant prospects are discussed below:

Maitland (formerly Daintree) Prospect - (Copper)

Copper-silver ores were mined from the Maitland prospect from 1909 to 1921 with approximate production of 1,250 tonnes @ 17.4% copper. Exploratory drilling in the 1960's confirmed copper mineralisation over a 300 metre strike length with a best intersection of 21.4 metres @ 3% copper. Most of this drilling was not assayed for gold or silver.

Glengarry completed an Induced Polarisation survey at Maitland to define extensions and repetitions of the known mineralisation for future drill testing. IP surveying is a geophysical technique commonly used to define copper mineralisation beneath barren cover. It involves transmitting an electric current into the ground and measuring chargeable responses caused by minerals such as copper sulphides.

The IP surveying defined 3 anomalies:

- A strong IP anomaly coincident and immediately below the historic workings suggesting the mineralisation continues at depth.
- A second, very strong IP anomaly located 2 kilometres south of the workings beneath soil cover.
- A third, moderate, 500 metre long IP anomaly approximately 500 metres east of the workings and coincident with a strong magnetic anomaly.

A four hole, diamond drill hole program to test the IP anomalies commenced on the 13th August but no analytical results are yet to hand.

Significantly, the Maitland copper mineralisation occurs in the same sequence of rocks that hosts Copper Strike Limited's Einasleigh Project located approximately 60 kilometres to the northwest. In early 2005, Copper Strike reported intersections up to 50 metres @ 6.65% copper and ore resource definition drilling is in progress.

Oasis Prospect – (Uranium)

The Oasis uranium prospect was drilled by Esso Minerals in 1978. Esso drilled 32 diamond core holes and 14 percussion holes and intersected uranium mineralisation over a strike length of approximately 300 metres and to a depth of 120 metres. Better reported intersections include 9.5 metres @ 0.23% U_3O_8 from 28 metres and 6.7 metres @ 0.23% U_3O_8 from 48 metres depth.

Operations review (continued)

The Oasis prospect is located at the northern end of a north northeast trending corridor that is considered highly prospective for uranium mineralisation. The Greenvale Project covers approximately 50 kilometres of the corridor which is adjacent to major geological structure known as the Lynd Mylonite Zone. As well as the occurrence of Oasis mineralisation, evidence for the prospectivity of the corridor includes:

- Numerous uranium anomalies defined by radiometric data.
- Delineation in the late 1970's of extensive uranium geochemical anomalism in the southern part of the corridor coincident with several radiometric anomalies. At the Gregory prospect, exploration in the late 1970's recorded stream sediment assays up to 760 ppm uranium (~ 2 lbs/t U_3O_8) and rock chips up to 0.35% uranium (~9 lbs/t U_3O_8).

Exploration planned to test the uranium potential of the Project includes:

- A drilling program to assess the depth and strike potential of the Oasis uranium mineralisation.
- Reconnaissance geochemical sampling and ground scintillometer traverses across targets defined by the aerial radiometric surveys.
- Soil sampling across the anomalous areas defined over the southern part of the prospective corridor.
- RC/diamond drill testing of targets defined by the above exploration.

Galah Dam Prospect – (Gold/Zinc)

The Galah Dam prospect is hosted by rocks of similar age and composition as the high grade Balcooma base metals deposits being mined by Kagara Zinc approximately 20 kilometres to the west. Previous exploration undertaken by Pancontinental/Homestake in the 1990's identified extensive gold and zinc mineralisation with drill intersections up to 30 metres @ 1.1 g/t gold and 5 metres @ 8.5% zinc over 200 metres strike. Subsequent IP surveying by RGC in 1997 indicated that the mineralisation was part of a large alteration system at least 700 metres long and open to the north-east; however, no further work was completed until the area was acquired by Glengarry.

Glengarry interpreted the low grade mineralisation as the halo to a possible high grade polymetallic system similar to Balcooma system and drilled 3 RC percussion holes totalling 651 metres to test for high grade massive sulphide mineralisation.

The drilling confirmed a large mineralised system containing multiple zones of low-grade zinc-gold mineralisation. Better intersections include 12 metres @ 1.95% zinc and 0.41 g/t gold from 159 metres and 4 metres @ 2.83 g/t gold from 177 metres. Further work is planned including geophysical surveying to test for a possible high grade core to the mineralisation.

Mt Remarkable Prospect – (Gold)

The Mt Remarkable prospect has a similar geological and geophysical setting to the 3 million ounce Mt Leyshon gold deposit that is located approximately 230 kilometres to the southeast. Previous stream sampling by several companies has recorded strongly anomalous gold values; however, the source has not been defined and there has been no drilling. Landsat imagery indicates the prospect area is largely covered with black soils which probably mask the bedrock gold source. Exploration planned by Glengarry includes auger sampling through the transported cover followed by RC percussion drilling.

T3 Prospect – (silver/lead/zinc)

The T3 prospect is situated in lithologies belonging to the southern strike extension of the Balcooma Metamorphic Sequence which host Kagara Zinc's high grade base metal operations approximately 60 kilometres to the northeast.

Operations review (continued)

Exploration in 1981 reported up to 52 g/t silver, 11.1% lead and 8% zinc in a gossan that has not yet been tested by drilling. Subsequent exploration in the 1980's by other explorers confirmed the location of the gossan which appears to be situated on an altered geological contact. Glengarry is planning to carry out detailed geological mapping and ground geophysics to define possible massive sulphide bodies at depth which will then be tested by RC percussion drilling.

Regional Potential at Greenvale

Geophysical surveys and geological mapping completed by the Queensland government in 1999 and 2000 indicate that the Greenvale Project is cut by regionally significant geological structures prospective for several commodities including gold, base metals and uranium. Regional drainage geochemistry by previous explorers has recorded extensive geochemical anomalism confirming the prospectivity of the area. Glengarry plans to infill sample the anomalous areas to define targets for drill testing.

CHARTERS TOWERS PROJECT (Glengarry 100%)

The Charters Towers Project is located 110 kilometres southwest of Townsville in North Queensland. It surrounds the historic gold mining town of the same name and comprises 4 granted tenements and 1 application covering 1,057 square kilometres. The Charters Towers district is one of the premier mining districts of Australia having produced more than 15 million ounces gold from several different types of ore body. The immediate Charters Towers district has produced over 6 million ounces gold from high grade, structurally controlled quartz veins with an average grade of 1 ounce per tonne. There is also good potential for bulk tonnage gold mineralisation similar to that mined from the 3.5 million ounce Mt Leyshon deposit located immediately south of the Charters Towers Project.

Glengarry has conducted a number of phases of exploration in the Charters Towers district commencing in 1996. The Company's systematic exploration program has discovered and tested numerous gold prospects mostly hosted by relatively narrow quartz veins.

Exploration completed during the past year included a review of all available technical data; regional, systematic grid based soil sampling and geological mapping which defined two prospects for follow up RC percussion drilling; i.e. Day Dawn Extended and Lollypop. An open pit optimisation study was also completed for the Great Britain gold resource delineated by previous Glengarry drilling.

Day Dawn Extended Prospect

Old mine records and aeromagnetic data indicate that the east-west structure that hosts the 1.4 million ounce historical Day Dawn gold mine at Charters Towers extends into Glengarry's tenure where it is largely obscured by shallow alluvial cover. RC percussion drilling in 2005 intersected the structure within Glengarry's tenure; however, no significant gold values were recorded. High grade gold mineralisation at Charters Towers is typically hosted by narrow quartz veins which pinch and swell within geological structures and Glengarry's drilling provides encouragement for further work along strike and down dip.

Lollypop Prospect

The Lollypop prospect is one of several gold anomalies defined by the regional soil sampling program. Anomalous gold up to 780 ppb was recorded over a 1,000 metre strike length at Lollypop coincident with an intrusive granite contact. RC percussion drilling defined a plus 20 ppb gold response in bedrock over a 400 metre strike length with a peak intersection of 3 metres @ 0.34 g/t gold, however, the bedrock source of the soil anomalism was not

Operations review (continued)

identified. The primary bedrock source may be between and oriented parallel to the drill traverses and close spaced, infill drilling will be required before it can be defined.

Great Britain Prospect

A JORC compliant inferred resource of 1.54 million tonnes @ 2.2 g/t gold (109,000 ounces) was calculated last year for the Great Britain deposit. Independent resource consultants concluded that the Great Britain deposit had reasonable potential for open pit mining and recommended that an open pit optimisation study be carried out. The optimisation study assumed the use of milling infrastructure currently operating in the Charters Towers region and a range of different gold prices. Based on a gold price of $A575 per ounce, the study indicated a mineable reserve of 70,000 tonnes @ 3.6 g/t to produce approximately 7,500 ounces gold with an optimal pit value of $1,100,000. Given the small size of the optimised resource, Glengarry did not consider further work was warranted.

Future Exploration at Charters Towers

The Charters Towers Project is still prospective for large gold deposits; however, the structurally complex nature of gold mineralisation in the area and the extensive shallow cover that masks much of the Project means that future exploration will require substantial and sustained drilling programs. Glengarry has elected to decrease the risk by seeking a joint venture partner to fund the next phase of exploration at Charters Towers. A suitable partner is presently being sought.

CANNINGTON PROJECT (Glengarry 100%)

This Project is 300 kilometres southeast of Mt Isa in northwest Queensland and located within 4 kilometres of the 60 million tonne Cannington silver-lead-zinc mine. Cannington is owned and operated by BHP Billiton Limited and is the world's largest silver mine with output comprising 7% of total world production. Glengarry's tenements lie within the covered strike extension of the southeast trending Cannington corridor - a structural/stratigraphic package hosting the Cannington deposit and hence prospective for similar ore bodies. Exploration potential is also good for iron oxide copper/gold deposits similar to Placer Dome's Osborne mine which occurs west of Glengarry's project area.

During the year, Glengarry focussed on prospects located immediately southwest of the Cannington mine where anomalous base metal geochemistry and alteration was intersected in drilling completed last year; i.e.,

- Crackpot - up to 1535 ppm Cu, 114 ppm Co, 91 ppm Mo, 260 ppm Pb.
- Dolly Pot - up to 1905 ppm Cu, 84 ppm Co, 81 ppm Mo, 325 ppm Zn, 0.9 g/t Ag.
- Honey Pot - up to 1600 ppm Cu, 507 ppm As, 100 ppm Co, 1.2 g/t Ag.

The anomalous geochemistry and associated alteration are interpreted to represent the possible margins of nearby, sulphide rich mineralised systems. However, the lack of outcrop means that additional data is required to target follow up drill holes. A first pass, 400 by 400 metre gravity survey was completed by Glengarry and several gravity highs were delineated adjacent to the anomalous drill holes. These gravity highs may represent possible massive sulphide zones at depth.

Recently, an infill 200 by 50 metre gravity survey was completed to provide further data for detailed modelling and follow up drill testing. This confirmed a significant anomaly at Dolly Pot immediately west of previous drilling. Geophysical modelling of the 300 metre long anomaly indicates that it may represent base metal mineralisation at a depth of approximately 40 metres. A drilling program is being planned.

Operations review (continued)

JOINT VENTURE FARM-OUTS

In the past year Glengarry farmed out its Snake Creek and Mount Guide Projects, both located in the Mt Isa region of northwest Queensland to Xstrata Copper and Summit Resources respectively. Previously the Company had farmed out its Inningarra Project in the Northern Territory to Newmont and this joint venture remains current.

Snake Creek JV Project

The Snake Creek Project is located approximately 125 kilometres southeast of Mt Isa and is prospective for copper-gold mineralisation. The Project was joint ventured out to Xstrata Copper in December 2004. Xstrata has the right to earn up to 75% interest by spending $3 million on exploration over a five year period. An access agreement has recently been negotiated with the Native Title claimants and soil sampling and ground geophysical surveys are planned.

Mt Guide JV Project

The Mt Guide Project is located 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. Summit has the right to earn up to 80% interest by spending $0.5 million on exploration over a four year period. 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.

Inningarra JV Project

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 and these negotiations are yet to be finalised.

TERMINATED PROJECTS

Diamantina Project

This Project was located in remote country 350 kilometres southwest of Mount Isa near the Queensland and Northern Territory border. No additional exploration was completed at Diamantina in the past year and the project was relinquished in August 2005.

Yolande River Project

The Company's Yolande River Project in western Tasmania was surrendered in August 2005. No additional exploration was completed on the property in the past year.

Operations review (continued)

Tanami Downs Project

This project was located in the Tanami region of the Northern Territory some 25 kilometres west of the Callie gold deposit. The Project was farmed out to Barrick Gold in 2002 but this company elected to withdraw from the joint venture in March 2005 following lengthy delays in the tenement approval process. Glengarry subsequently decided to surrender the property.

Larranganni Project

Glengarry sold its 7.5% participating interest in the Larranganni Joint Venture to partner Tanami Gold NL for $250,000 cash in November 2004.

The Larranganni property hosts small gold resources at Kookaburra and Sandpiper which total some 160,000 ounces. The sale valued the existing resources at more than $20 per ounce of gold which compares favourably with other recent industry transactions.

Considerable exploration has already been conducted on the property and the existing resources would appear to have limited upside. Glengarry considered its small interest of 7.5% in the Larranganni Joint Venture as non-core and the Company decided to sell out rather than contribute as a minority joint venture partner to future development of the existing resources.

Abbreviations

Ag	Silver
Au	Gold
Cu	Copper
Co	Cobalt
g/t	grams per tonne
JORC	Joint Ore Reserve Committee
km	kilometres
lbs/t	Pounds per ton
Mo	Molybdenum
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

Operations review (continued)

CORPORATE MATTERS

CASH POSITION

At the end of June 2005 Glengarry had approximately $1.2 million in cash and securities.

EXPLORATION EXPENDITURE

Glengarry expended a total of $1.59 million on exploration and associated administration costs in the year under review. The Company intends to maintain a dynamic exploration program in the coming twelve months with strong emphasis on drilling and other in-ground exploration. A similar level of exploration to the past year is anticipated in the 2005/2006 financial year.

CAPITAL RAISING

On 28 September 2004 Glengarry announced a pro-rata non-renounceable 1:4 entitlements issue to raise working capital for ongoing exploration. The issue was fully subscribed and a total of 31,576,787 new shares were issued at a price of 3.5 cents per share which raised a total of $1,105,187.

The Company presently has 157,883,938 fully paid ordinary shares on issue and a total of 3,100,000 unlisted options.

NEW APPOINTMENTS

Mr Kevin Seymour was appointed Exploration Manager on 1 September 2004. He has some 20 years of experience in mineral exploration and an excellent track record in ore body discovery.

Mr Keith McKay was appointed to the Board on 26 August 2004 and assumed the role of Chairman on the retirement of long time Chairman Mr Allan Harris on 22 November 2004. He is a qualified geologist with some 37 years of experience including senior corporate positions.

Directors' report

Your directors present their report on the consolidated entity consisting of Glengarry Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2005.

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:

D R Richards
I J Gordon
A T Harris

K G McKay was appointed a director on 25 August 2004 and continues in office at the date of this report.

A J Alston was a director from the beginning of the financial year until his resignation on 17 September 2004.

Principal activities

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

Dividends - Glengarry Resources Limited

No dividends were paid to members during the financial year and the directors do not recommend the payment of a dividend.

Review of operations

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

	Revenues		Results	
	2005	2004	**2005**	2004
	$	$	**$**	$
Sale of non-current assets	**414,530**	1,691,526	**50,004**	790,604
Other ordinary activities	**77,636**	79,263	**(1,143,325)**	(1,307,417)
	492,166	1,770,789		
Profit(loss) from ordinary activities before related income tax expense			**(1,093,321)**	(516,813)
Income tax expense			**-**	-
Profit(loss) from ordinary activities after related income tax expense attributable to members of Glengarry Resources Limited			**(1,093,321)**	(516,813)

A review of operations of the consolidated entity is set out in the separate section titled "Operations review" on pages 3 to 10.

Earnings per share

	2005	2004
	Cents	Cents
Basic earnings per share	**(0.747)**	(0.418)
Diluted earnings per share	**(0.747)**	(0.418)

Significant changes in the state of affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Directors' report (continued)

Matters subsequent to the end of the financial year

Since 30 June 2005, on 8 September 2005 the company announced a 15% placement of 23,682,590 ordinary shares at 4 cents per share which will raise $947,303.

Except for the matter discussed above, no matter or circumstance has arisen since 30 June 2005 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.

Likely developments and expected results of operations

Other than likely developments contained in the "Review of operations and activities", 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.

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), the Mineral Resources Development Act 1999 (Tasmania) 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 licence 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.

Information on directors

K G McKay, BSc (Hons), FAusIMM. *Chairman - non-executive. Age 59.*

Experience and expertise
Independent non-executive director appointed 26 August 2004. Appointed Chairman 23 November 2004. Geologist with 37 years experience in the mining industry. Former Managing Director of Gallery Gold Limited and former Managing Director/Vice President of Battle Mountain (Aust.) Inc.

Other current directorships
Chairman of Gindalbie Metals Limited

Former directorships in last 3 years
Gallery Gold Limited

Special responsibilities
Chairman of the Board
Member of the audit committee

Interest in shares and options
None

D R Richards, BSc (Hons), MAIG. *Managing Director. Age 44.*

Experience and expertise
Managing Director appointed 1 September 2003. Geologist with 23 years experience in the mining industry. Former Chief Geologist, New Projects Australia of Auriongold Limited

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
Managing Director

Directors' report (continued)

Information on directors (continued)

Interests in shares and options
300,000 ordinary shares in Glengarry Resources Limited
1,500,000 options over ordinary shares in Glengarry Resources Limited

I J Gordon, BComm (Corporate Administrator). *Independent non-executive director. Age 39.*

Experience and expertise
Independent non-executive director appointed 19 March 2004. Corporate administrator with 21 years experience in the mining industry. Former Manager - Land Access of Gold Fields Australia Pty Ltd and Business Analyst - Project Generation of Auriongold Limited.

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
Chairman of the audit committee

Interests in shares and options
125,000 ordinary shares in Glengarry Resources Limited

A T Harris, FCA. *Non-executive director. Age 67.*

Experience and expertise
Non-executive director for 13 years and former Chairman for 8 years. Chartered Accountant with 27 years experience in the mining industry.

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
Chief Financial Officer and Company Secretary

Interests in shares and options
15,334,434 ordinary shares in Glengarry Resources Limited

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 2005, and the number of meetings attended by each director were:

	Full meetings of directors	**Meetings of committees Audit**
Number of meetings held	12	1
Number of meetings attended		
K G McKay (appointed 26 August 2004)	12	1
D R Richards	12	*
I J Gordon	12	1
A T Harris	12	*
A J Alston (resigned 17 September 2004)	2	*

The functions of the nomination and remuneration committees were performed by the full board of directors, excepting the Managing Director.
The functions of the audit committee were performed by the full board of directors, excepting the Managing Director, until 3 March 2005 when the audit committee was appointed.
* = Not a member of the relevant committee

Retirement, election and continuation in office of directors

Mr I J Gordon is the director retiring by rotation who, being eligible, offers himself for re-election.

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.

A Principles used to determine the nature and amount of remuneration

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 linkage / alignment of 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.

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. The price at which shares in the parent entity are traded between the beginning and the end of the year has resulted in a decrease in share price of 1.2 cents per share.

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 agreed to 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 do not receive share options.

Directors' fees

The current base remuneration was last reviewed with effect from 1 December 2004. Directors' remuneration is inclusive of 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 $200,000.

Retirement allowances for directors

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

Directors' report (continued)

Remuneration report (continued)

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

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. The company intends to consider long-term equity-linked performance incentives specifically for executives during the year ending 30 June 2006.

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, car allowances and tax advisory services.

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 on page 53.

B Details of remuneration

Details of the remuneration of each director of Glengarry Resources Limited and the one executive of the company and the consolidated entity are set out in the following tables.

Directors of Glengarry Resources Limited

	Primary	Post-employment	Equity	
Name	**Cash salary and fees $**	**Super-annuation $**	**Options $**	**Total $**
K G McKay *	36,016	3,241	-	39,257
A T Harris	105,445	3,048	-	108,493
D R Richards	146,789	14,391	615	161,795
I J Gordon	41,083	2,506	-	43,589
A J Alston **	44,018	2,538	-	46,556
Total	**373,351**	**25,724**	**615**	**399,690**

* K G McKay was appointed a director on 26 August 2004.
** A J Alston resigned as a director on 17 September 2004.

Directors' report (continued)

Remuneration report (continued)

B Details of remuneration (continued)

Other executives of Glengarry Resources Limited and the consolidated entity

	Primary	Post-employment	Equity	
Name	**Cash salary and fees $**	**Super-annuation $**	**Options $**	**Total $**
K M Seymour *	84,014	7,561	8,270	99,845

- K M Seymour was appointed Exploration Manager on 1 September 2004.

C Service Agreements

Remuneration and other terms of employment for the Managing Director and Exploration Director are formalised in service agreements. Each of these agreements 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 - notice period of six months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $160,000, to be reviewed annually by the remuneration committee.

K M Seymour, *Exploration Manager*
- Term of agreement - notice period of three months
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $110,000, to be reviewed annually by the remuneration committee.

D Share-based compensation

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. Options are granted for a period of up to 5 years. Entitlements to the options are vested as soon as they become exercisable.

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	Date exercisable
8 March 2004	18 February 2006	15 cents	$0.00072	At any time during the option period
6 October 2004	1 September 2005	5 cents	$0.00614	At any time during the option period
6 October 2004	1 September 2006	10 cents	$0.00486	At any time during the option period
6 October 2004	1 September 2007	15 cents	$0.00554	At any time during the option period
11 February 2005	30 June 2006	10 cents	$0.00053	At any time during the option period
11 February 2005	30 June 2007	15 cents	$0.00070	At any time during the option period

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 80% of market price on the date upon which the directors first resolved to grant the options.

The amounts disclosed for emoluments relating to options above are the assessed fair values at grant date of options granted to executive directors and other executives, allocated equally over the period from grant date to vesting date. 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 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.

Directors' report (continued)

Remuneration report (continued)

D Share-based compensation (continued)

The model inputs for options granted during the year ended 30 June 2005 included:

Grant date	6 October 2004	6 October 2004	6 October 2004	11 February 2005	11 February 2005
Expiry date	1 September 2005	1 September 2006	1 September 2007	30 June 2006	30 June 2007
Quantity	500,000	500,000	500,000	500,000	500,000
Exercise price	$0.05	$0.10	$0.15	$0.10	$0.15
Consideration	Nil	Nil	Nil	Nil	Nil
Share price at grant date	$0.036	$0.036	$0.036	$0.035	$0.035
Expected price volatility of the company's shares	71%	71%	71%	48%	48%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	5.41%	5.41%	5.41%	5.41%	5.41%

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	0.38%	615	-	730	1,345
K M Seymour	8.28%	8,270	-	-	8,270

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.
B = The value at grant date calculated in accordance with AASB 1046 *Director and Executive Disclosures by Disclosing Entities* 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.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Given Glengarry Resources Limited is involved in mineral exploration and performance is measured by exploration success, the element of remuneration of the persons referred to above which consists of securities is not dependent on the satisfaction of a performance condition.

Loans to directors and executives
There are no loans to directors or executives.

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
Directors		
D R Richards, *Managing Director*	11 February 2005	1,000,000
Other executives of Glengarry Resources Limited and the consolidated entity		
K M Seymour, *Exploration Manager*	6 October 2004	1,500,000

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
8 March 2004	18 February 2006	15 cents	500,000
8 March 2004	8 March 2006	5 cents	600,000
6 October 2004	1 September 2006	10 cents	500,000
6 October 2004	1 September 2007	15 cents	500,000
11 February 2005	30 June 2006	10 cents	500,000
11 February 2005	30 June 2007	15 cents	500,000
			3,100,000

Directors' report (continued)

Remuneration report (continued)

Shares under option (continued)

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

Shares issued on the exercise of options
There were no ordinary shares of Glengarry Resources Limited issued during the year ended 30 June 2005 on the exercise of options granted under the Employee Incentive Scheme. No further shares have been issued since that date.

Insurance of officers
During the financial year, Glengarry Resources Limited paid a premium of $26,956 to insure the directors 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.

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

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

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 (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

	Consolidated	
	2005	2004
	$	$
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.		
Assurance services		
1. Audit Services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**20,700**	15,715

Directors' report (continued)

Remuneration report (continued)

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

D R Richards
Managing Director
Perth

7 September 2005

PricewaterhouseCoopers
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Auditors' Independence Declaration

As lead auditor for the audit of Glengarry Resources Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Glengarry Resources Limited and the entities it controlled during the period.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
7 September 2005

Corporate governance statement

Glengarry Resources Limited (the company) and the board are committed to achieving and demonstrating high standards of corporate governance. A review of the company's corporate governance framework was completed in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. The company's framework is largely consistent with the recommendations and changes have been made as a result of this review and other recent governance developments. The company and its controlled entities together are referred to as the Group in this statement. This statement includes a reference to non-compliance with the recommendations.

The relationship between the board and senior management is important to the Group'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 Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the board to the Managing Director and senior executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The board of directors

Details of directors

K G McKay, BSc (Hons), FAusIMM. Age 59.

Status:	Independent non-executive director.
Tenure:	Appointed a director on 26 August 2004 and chairman on 23 November 2004.
Skills, experience and expertise:	Geologist with 37 years experience in the mining industry as a senior executive, company director and chairman. Chairman of Gindalbie Metals Limited.
Responsibilities:	Chairman of the board, chairman of the board acting as the nomination committee and member of the audit committee.

A T Harris, FCA. Age 67.

Status:	Non-executive director who is not independent because of substantial shareholding, principal of a material professional adviser, term of office and materiality thresholds.
Tenure:	Director for 13 years.
Skills, experience and expertise:	Chartered accountant with 27 years experience in the mining industry as a senior executive, company director and chairman.
Responsibilities:	Company secretary and chief financial officer.

D R Richards, BSc (Hons), MAIG. Age 44.

Status:	Executive director.
Tenure:	Appointed Managing Director on 1 September 2003
Skills, experience and expertise:	Geologist with 23 years experience in the mining industry as a senior executive.
Responsibilities:	Managing Director.

Corporate governance statement (continued)

The board of directors (continued)

Details of directors (continued)

I J Gordon, BComm (Corporate Administrator). Age 39.

Status:	Independent non-executive director. Received consulting fees which are within the materiality thresholds.
Tenure:	Appointed a director on 19 March 2004.
Skills, experience and expertise:	Corporate administrator with 21 years experience in the mining industry as a senior executive.
Responsibilities:	Chairman of the audit committee and chairman of the board acting as the remuneration committee.

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 website at www.glengarrynl.com.au. The charter details the board's composition and responsibilities.

Board composition

The charter states:

- the board is to be comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.
- in recognition of the importance of independent views and the board's role in supervising the activities of management the Chairman should be an independent non-executive director, the majority of the board should be independent of management and all directors are required to bring independent judgement to bear in their board decision making.
- the Chairman is elected by the full board and is required to meet regularly with the Managing Director.
- the company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience.
- the board is required to undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group.
- each director is encouraged to own shares in the company.

The extent to which the company does not comply with the above Charter is set out in the non-compliance statement on page 28.

Responsibilities

The responsibilities of the board include:

- providing strategic guidance to the company including contributing to the development of and approving the corporate strategy.
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives.
  - compliance with the company's Code of Conduct (see page 27).
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments.
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors.
- appointment, performance assessment and, if necessary, removal of the Managing Director.
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary.
- ensuring there are effective management processes in place and approving major corporate initiatives.
- enhancing and protecting the reputation of the organisation.
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

Corporate governance statement (continued)

The board of directors (continued)

Board members

Details of the members of the board, their experience, qualifications, term of office and independent status are set out in the directors' report under the heading "Information on directors". There are three non-executive directors, two of whom are deemed independent under the principles set out below, and one executive director at the date of signing the directors' report.

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective.
- the size of the board is conducive to effective discussion and efficient decision making.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- within the last three years, not have been employed in an executive capacity by the company or any other group member, or been a director after ceasing to hold any such employment.
- within the last three years, not have been a principal of a material professional adviser or a material consultant to the company or any other group member, or an employee materially associated with the service provided.
- not be a material supplier or customer of the company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- must have no material contractual relationship with the company or a controlled entity other than as a director of the Group.
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the company or Group or 5% of the individual directors' 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.

Recent thinking on corporate governance has introduced the view that a director's independence may be perceived to be impacted by lengthy service on the board. To avoid any potential concerns, the board has determined that a director will not be deemed independent if he or she has served on the board of the company for more than ten years. The board will continue to monitor developments on this issue.

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.

Chairman and Chief Executive Officer (CEO)

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board’s relationship with the company’s senior executives.

The CEO is responsible for implementing Group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people.

Commitment

The board held twelve board meetings and regular management meetings during the year.

Non-executive directors are expected to spend at least 40 days a year preparing for and attending board and management meetings and associated activities.

The number of meetings of the company’s board of directors held during the year ended 30 June 2005, and the number of meetings attended by each director is disclosed on page 13.

Corporate governance statement (continued)

The board of directors (continued)

Commitment (continued)

It is the company's practice to allow its executive directors to accept appointments outside the company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2005.

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

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

Conflict of interests

Entities connected with Mr A T Harris and Mr I J Gordon had business dealings with the consolidated entity during the year, as described in note 17 to the financial statements. In accordance with the board charter the directors concerned declared their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, the directors concerned did not receive any papers from the Group pertaining to those dealings.

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.

Performance assessment

The board undertakes an annual self assessment of its collective performance, the performance of the Chairman and of its committees. Management are invited to contribute to this appraisal process. The results and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman undertakes an annual self assessment of the performance of individual directors and meets privately with each director to discuss this assessment. Descriptions of the process for performance assessment for the board and senior executives are available on the company website.

Corporate reporting

The Managing Director and CFO have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The board, excepting the Managing Director, acts in the capacity of a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Currently, the board acts in the capacity of the nomination and remuneration committees. The audit committee consisted of the board until 3 March 2005 when the audit committee was appointed. Each is comprised entirely of non-executive directors. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each board committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website. All matters determined by committees are submitted to the full board as recommendations for board decision.

Minutes of board committee meetings are tabled at the immediately subsequent board meeting. Additional requirements for specific reporting by the committees to the board are addressed in the charter of the individual committees.

Nomination committee

The board, excepting the Managing Director, acting in its capacity as the nomination committee, operates in accordance with its charter which is available on the company website. The business of the nomination committee is an agenda item at each board meeting.

Corporate governance statement (continued)

Board committees (continued)

Nomination committee (continued)

The main responsibilities of the committee are to:

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

When a new director is to be appointed, the committee reviews the range of skills, experience and expertise on the board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the company. The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the company and the current and future needs of the board and company.

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

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

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

Remuneration committee

The board, excepting the Managing Director, acting in its capacity as the remuneration committee operates in accordance with its charter which is available on the company website. The business of the remuneration committee is an agenda item at each board meeting. The remuneration 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. The role of this committee is defined in greater detail in note 17 to the financial statements.

Committee members may receive regular briefings from an external remuneration expert on recent developments on remuneration and related matters.

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

Further information on directors' and executives' remuneration is set out in note 17 to the financial statements.

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

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

Audit committee

The audit committee, which was appointed on 3 March 2005, consists of the following non-executive directors:

I J Gordon (Chairman)
K G McKay

Corporate governance statement (continued)

Board committees (continued)

Audit committee (continued)

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 12 - 13.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the mining industry.

The audit committee operates in accordance with a charter which is available on the company website. The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the company or released to the market.
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework.
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance.
- consider the independence and competence of the external auditor on an ongoing basis.
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- review and monitor related party transactions and assess their propriety.
- oversee the Group's transition to International Financial Reporting Standards (IFRS) - see page 38 and note 29.
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management, the external auditors and the IFRS transition project team.
- meets with the external auditors at least twice a year or more frequently if necessary.
- reviews the processes the CEO and CFO have in place to support their certifications to the board.
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- provides the external auditors with a clear line of direct communication at any time to the Chairman of the board.

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

External auditors

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers were appointed as the external auditors in 1989 (Coopers and Lybrand). It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every seven years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2001.

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 18 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

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

Corporate governance statement (continued)

Risk assessment and management

The board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the company website. In summary, the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct (see page 27) is required at all times and the board actively promotes a culture of quality and integrity.

The company risk management policy and the operation of the risk management and compliance system is managed by the board. The board assesses material risks that may impede meeting business objectives. 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, IT security, compliance and other risk management issues. The board reports on the key business risks. The basis for this report is a half-yearly review of the past performance of the company's activities and the current and future risks the company faces. The review is undertaken by the board away from the day to day pressure of their operational activities.

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.

The environment, health and safety management system

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,
- 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 apply 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 Group'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 company securities by directors and employees is only permitted after the expiration of two business days following the release to the market of the half-yearly, the annual financial results and any ASX announcements. The chairman must be advised prior to any proposed transaction in the company's securities.

This Code and the company's trading policy is discussed with each new employee as part of their induction training and all employees are asked to sign an annual declaration confirming their compliance.

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.

Corporate governance statement (continued)

Code of Conduct (continued)

A copy of the Code and the 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 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 and co-ordinating 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 as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's website. 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.

All shareholders receive a copy of the company's annual report. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases, and financial reports 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:

- The majority of the board are not independent directors, with two out of four directors qualifying as independent directors.
  Explanation: The company is a junior explorer where the size of the board is limited so as to encourage efficient decision making.
- The chairman was not an independent director until the appointment of K G McKay as chairman on 23 November 2004.
  Explanation: K G McKay is an independent non-executive director and this recommendation is now satisfied.
- The board has not established a nomination committee. The board, excepting the Managing Director, acts in this capacity.
  Explanation: The board which acts as the nomination committee consists of three members, the majority being independent directors and is chaired by the chairman of the board, which is consistent with the recommendation.
- Prior to the establishment of the audit committee on 3 March 2005, the board, excepting the Managing Director, acted in this capacity. The audit committee consists of two members compared to the recommendation of at least three members.
  Explanation: The limited size of the board does not allow for the audit committee to satisfy the recommended minimum of three members.
- The board has not established a remuneration committee. The board, excepting the Managing Director, acts in this capacity.
  Explanation: The board which acts as the remuneration committee consists of three members, the majority being independent directors and is chaired by an independent director, which is consistent with the recommendation.
- A performance evaluation for the board and its members has not taken place in the reporting period.
  Explanation: There were major changes to the composition of the board during the reporting period as follows:
  26 August 2004 - K G McKay appointed independent non-executive director
  17 September 2004 - A J Alston resigned as exploration director
  23 November 2004 - A T Harris retired as chairman
  - K G McKay appointed chairman.
  The company has scheduled a complete performance evaluation for the board and its members to take place in September 2005.

Glengarry Resources Limited
Financial report – 30 June 2005

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 operations review on pages 3 - 10 and in the directors' report on pages 11 - 19, which are not part of this 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.glengarrynl.com.au.

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

Statements of financial performance
For the year ended 30 June 2005

		Consolidated		Parent entity	
	Notes	**2005**	2004	**2005**	2004
		$	$	**$**	$
Revenue from ordinary activities	2	**492,166**	1,770,789	**492,166**	1,770,789
Employee benefits expense	3	**(262,514)**	(223,402)	**(262,514)**	(223,402)
Depreciation and amortisation expenses	3	**(12,480)**	(20,537)	**(12,480)**	(20,537)
Write down of exploration and evaluation	3	**(582,628)**	(734,797)	**(582,628)**	(734,797)
Write down of investments	3	**(22,859)**	(27,908)	**(22,859)**	(27,908)
Carrying amount of non-current assets sold		**(364,526)**	(900,922)	**(364,526)**	(900,922)
Consultancy costs		**(74,712)**	(84,143)	**(74,712)**	(84,143)
Insurance costs		**(40,238)**	(39,781)	**(40,238)**	(39,781)
Rent of premises		**(37,388)**	(39,077)	**(37,388)**	(39,077)
Shareholder expenses		**(18,372)**	(26,319)	**(18,372)**	(26,319)
Professional fees		**(37,700)**	(27,965)	**(37,700)**	(27,965)
Other expenses from ordinary activities		**(132,070)**	(162,751)	**(132,070)**	(162,751)
Profit(loss) from ordinary activities before related income tax expense	3	**(1,093,321)**	(516,813)	**(1,093,321)**	(516,813)
Income tax expense	4	**-**	-	**-**	-
Net profit(loss)		**(1,093,321)**	(516,813)	**(1,093,321)**	(516,813)
Total changes in equity attributable to members of Glengarry Resources Limited other than those resulting from transactions with owners as owners	15	**(1,093,321)**	(516,813)	**(1,093,321)**	(516,813)

		Cents	Cents
Basic earnings per share	28	**(0.747)**	(0.418)
Diluted earnings per share	28	**(0.747)**	(0.418)

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position
As at 30 June 2005

		Consolidated		Parent entity	
	Notes	**2005**	2004	**2005**	2004
		$	$	**$**	$
Current assets					
Cash assets	5, 16	**89,697**	227,197	**89,697**	227,197
Receivables	6, 16	**1,164,307**	1,042,135	**1,164,307**	1,042,135
Other	7	**19,770**	19,821	**19,770**	19,821
Total current assets		**1,273,774**	1,289,153	**1,273,774**	1,289,153
Non-current assets					
Other financial assets	9, 16	**21,571**	159,259	**21,571**	159,259
Exploration and evaluation	10	**2,619,488**	2,515,995	**2,619,488**	2,515,995
Plant and equipment	11	**18,112**	55,932	**18,112**	55,932
Total non-current assets		**2,659,171**	2,731,186	**2,659,171**	2,731,186
Total assets		**3,932,945**	4,020,339	**3,932,945**	4,020,339
Current liabilities					
Payables	12, 16	**77,355**	154,047	**77,355**	154,047
Total current liabilities		**77,355**	154,047	**77,355**	154,047
Total liabilities		**77,355**	154,047	**77,355**	154,047
Net assets		**3,855,590**	3,866,292	**3,855,590**	3,866,292
Equity					
Parent entity interest					
Contributed equity	13	**7,071,146**	5,988,527	**7,071,146**	5,988,527
Accumulated losses	14	**(3,215,556)**	(2,122,235)	**(3,215,556)**	(2,122,235)
Total equity	15	**3,855,590**	3,866,292	**3,855,590**	3,866,292

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows
For the year ended 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Parent entity 2005 $	Parent entity 2004 $
Cash flows from operating activities					
Sundry income received (inclusive of goods and services tax)		**112,670**	110,559	**112,670**	110,559
Payments to suppliers and employees (inclusive of goods and services tax)		**(714,137)**	(670,117)	**(714,137)**	(670,117)
		(601,467)	(559,558)	**(601,467)**	(559,558)
Dividends received		**-**	6,568	**-**	6,568
Interest received		**72,457**	64,446	**72,457**	64,446
Net cash (outflow) from operating activities	27	**(529,010)**	(488,544)	**(529,010)**	(488,544)
Cash flows from investing activities					
Payments for plant and equipment		**(2,417)**	(19,124)	**(2,417)**	(19,124)
Payments for investments		**-**	(50,000)	**-**	(50,000)
Payments for security deposits		**(22,500)**	(10,000)	**(22,500)**	(10,000)
Exploration and evaluation expenditure		**(981,000)**	(938,325)	**(981,000)**	(938,325)
Proceeds from sale of plant and equipment		**17,728**	-	**17,728**	-
Proceeds from sale of investments		**146,802**	1,541,126	**146,802**	1,541,126
Proceeds from sale of tenements		**250,000**	150,400	**250,000**	150,400
Net cash inflow (outflow) from investing activities		**(591,387)**	674,077	**(591,387)**	674,077
Cash flows from financing activities					
Proceeds from issues of securities	13	**1,105,188**	524,500	**1,105,188**	524,500
Securities issue costs		**(22,569)**	(12,269)	**(22,569)**	(12,269)
Net cash inflow (outflow) from financing activities		**1,082,619**	512,231	**1,082,619**	512,231
Net increase (decrease) in cash held		**(37,778)**	697,764	**(37,778)**	697,764
Cash at the beginning of the financial year		**1,224,066**	526,302	**1,224,066**	526,302
Cash at the end of the financial year	5	**1,186,288**	1,224,066	**1,186,288**	1,224,066

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
30 June 2005

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Notes to the financial statements
30 June 2005

Note 1. Summary of significant accounting policies

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Glengarry Resources Limited ("company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Glengarry Resources Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in joint ventures are accounted for as set out in note 1(l).

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

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 Australian Taxation Office has been notified of this decision. The consolidation did not involve a tax sharing agreement.

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 the acquisition. 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.

Provisions for restructuring costs and related employee termination benefits are recognised as at the date of acquisition of an entity or part thereof on the basis described in the accounting policy notes for restructuring costs [note 1(p)] and employee benefits [note 1(n)].

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the statement of financial performance.

(d) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue includes interest and dividend income on short term investments, proceeds from the disposal of non-current assets and sundry other revenue items.

Notes to the financial statements
30 June 2005 (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Receivables

Debtors are recognised at the amounts receivable as they are due no more than 30 days from the date of recognition.

Bills of exchange have been purchased in the market at a discount to face value. The bills are carried at an amount representing cost and a portion of the discount recognised as income on an effective yield basis. The discount brought to account each period is accounted for as interest received.

(f) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

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

Expenditure which fails to meet at least one of the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 1015 *Accounting for the Acquisition of Assets*. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 1015 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the company's rights of tenure to that area of interest are current.

Notes to the financial statements
30 June 2005 (continued)

Note 1. Summary of significant accounting policies (continued)

(h) Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

(i) Investments

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements, are brought to account at the lower of cost and market value and dividend income is recognised in the statement of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

The interest in a joint venture is accounted for as set out in note 1 (l).

(j) Depreciation of plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives of plant and equipment is three to five years.

(k) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Joint ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 25.

(m) Website costs

Costs in relation to websites controlled by a controlled entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from 2 to 5 years.

(n) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors 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 expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date 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. 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) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Note 1. Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Termination benefits (continued)

Liabilities for termination benefits relating to an acquired entity or operation that arise as a consequence of acquisitions are recognised as at the date of acquisition if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected that the terminations would be carried out and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier. These liabilities are disclosed in aggregate with other restructuring costs as a consequence of the acquisition.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, 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 payments, where the effect of discounting is material.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they related are recognised as liabilities.

(v) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the Glengarry Resources Limited Employee Incentive Scheme. Information relating to this scheme is set out in note 21.

No accounting entries are made in relation to the Glengarry Resources Limited Employee Incentive Scheme until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 17 include the assessed fair values of options at the date they were granted.

The market value of shares issued to employees for no cash consideration under the Employee Incentive Scheme is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares. When the shares are issued, their market value is recognised in the statement of financial position as share capital.

(o) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

(p) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition of an entity, or part thereof, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring at the acquisition date and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier.

Notes to the financial statements
30 June 2005 (continued)

Note 1. Summary of significant accounting policies (continued)

(p) Restructuring costs (continued)

The cost of restructuring provided for, other than related employee termination benefits, is the estimated cash flows, having regard to the risks of the restructuring activities, discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

Liabilities for employee termination benefits associated with restructurings are brought to account on the basis described in the accounting policy note for employee benefits [note 1(n)(iii)]. Liabilities for costs of restructurings and related employee termination benefits are disclosed in aggregate where the restructuring occurs as a consequence of an acquisition.

Reversals of part or all of a provision for restructuring relating to an acquisition because the costs are no longer expected to be incurred as planned, are adjusted against the goodwill or discount on acquisition. The adjusted carrying amounts of goodwill or non-monetary assets are amortised or depreciated from the date of the reversal.

(q) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short period to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(s) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS.

The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Refer to note 29 for the impacts of adopting AIFRS.

Notes to the financial statements
30 June 2005 (continued)

Note 2. Revenue

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Revenue from operating activities				
Tenement cost recoveries	**5,130**	5,850	**5,130**	5,850
Expenses recouped	**99**	3,000	**99**	3,000
	5,229	8,850	**5,229**	8,850
Revenue from outside the operating activities				
Interest	**72,407**	63,845	**72,407**	63,845
Dividends	**-**	6,568	**-**	6,568
Sale of investments	**146,802**	1,541,126	**146,802**	1,541,126
Sale of tenements	**250,000**	150,400	**250,000**	150,400
Sale of plant and equipment	**17,728**	-	**17,728**	
	486,937	1,761,939	**486,937**	1,761,939
Revenue from ordinary activities	**492,166**	1,770,789	**492,166**	1,770,789

Note 3. Profit(loss) from ordinary activities

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Net gains and expenses				
Profit(loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal				
Investments	**31,973**	790,604	**31,973**	790,604
Tenements	**28,060**	-	**28,060**	-
Expenses				
Net loss on disposal of plant and equipment	**10,029**	-	**10,029**	-
Depreciation				
Plant and equipment	**12,480**	20,537	**12,480**	20,537
Other charges against assets				
Write down of exploration and evaluation expenditure	**582,628**	734,797	**582,628**	734,797
Write down of investments to recoverable amount	**22,859**	27,908	**22,859**	27,908
Rental expense relating to operating leases	**37,388**	39,077	**37,388**	39,077
Employee benefits expense				
Gross expense	**517,914**	535,425	**517,914**	535,425
Amount capitalised	**(255,400)**	(312,023)	**(255,400)**	(312,023)
Net employee benefits expense	**262,514**	223,402	**262,514**	223,402

Notes to the financial statements
30 June 2005 (continued)

Note 4. Income tax

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Income tax expense				
The income tax expense for the financial year differs from the amount calculated on the profit(loss). The differences are reconciled as follows:				
Profit(loss) from ordinary activities before income tax expense	**1,093,321**	(516,813)	**1,093,321**	(516,813)
Income tax calculated @ 30% (2004 - 30%)	**(327,996)**	(155,044)	**(327,996)**	(155,044)
Tax effect of permanent differences:				
- Rebateable dividends	**-**	844	**-**	844
- Sundry items	**734**	190	**734**	190
Income tax adjusted for permanent differences	**(327,262)**	(154,010)	**(327,262)**	(154,010)
Income tax benefit not brought to account	**327,262**	154,010	**327,262**	154,010
Aggregate income tax expense	**-**	-	**-**	-
Tax losses				
The directors estimate that the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is:	**5,967,865**	5,548,117	**5,967,865**	5,548,117

The benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or

(ii) the losses are transferred to an eligible entity in the consolidated entity, and

(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and

(iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 5. Current assets – Cash assets

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Cash at bank and on hand	**7,080**	2,995	**7,080**	2,995
Deposits at call	**82,617**	224,202	**82,617**	224,202
	89,697	227,197	**89,697**	227,197
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	**89,697**	227,197	**89,697**	227,197
Add: Bills of exchange (note 6)	**1,096,591**	996,869	**1,096,591**	996,869
	1,186,288	1,224,066	**1,186,288**	1,224,066

Deposits at call
The deposits are bearing floating interest rates between 4.60% and 5.41% (2004 – 3.75% and 4.40%).

Notes to the financial statements
30 June 2005 (continued)

Note 6. Current assets – Receivables

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Bills of exchange - face value	**1,100,000**	1,000,000	**1,100,000**	1,000,000
Less: unearned income	**3,409**	3,131	**3,409**	3,131
	1,096,591	996,869	**1,096,591**	996,869
Security deposits	**66,000**	43,500	**66,000**	43,500
Other debtors	**1,716**	1,766	**1,716**	1,766
	1,164,307	1,042,135	**1,164,307**	1,042,135

Bills of exchange are accepted by banks.

Note 7. Current assets – Other

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Prepayments	**19,770**	19,821	**19,770**	19,821

Note 8. Non-current assets – Receivables

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Loans to controlled entities	-	-	**4,935,255**	4,935,255
Less: Provision for non-recovery	-	-	**4,935,255**	4,935,255
	-	-	**-**	-

Note 9. Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Investments traded on organised markets				
Shares in other corporations - at the lower of cost and market value	**21,571**	159,259	**21,571**	159,259
Other (non-traded) investments				
Shares in controlled entities - at cost (note 23)	**-**	-	**2,205,010**	2,205,010
Less: Provision for non-recovery	**-**	-	**2,205,010**	2,205,010
Shares in controlled entities - at recoverable amount	**-**	-	**-**	-
	21,571	159,259	**21,571**	159,259

The market value of traded investments as at 30 June 2005 is $26,771 (2004 - $172,648)

Notes to the financial statements
30 June 2005 (continued)

Note 10. Non-current assets – Exploration and evaluation

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Exploration and evaluation				
Exploration and evaluation - at cost less amounts written off	**2,619,488**	2,515,995	**2,619,488**	2,515,995

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.

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Exploration and evaluation				
Carrying amount at 1 July 2004	**2,515,995**	2,417,881	**2,515,995**	2,417,881
Expenditure	**908,061**	983,311	**908,061**	983,311
Expenditure written off	**(582,628)**	(734,797)	**(582,628)**	(734,797)
Tenement sales	**(221,940)**	(150,400)	**(221,940)**	(150,400)
Carrying amount at 30 June 2005	**2,619,488**	2,515,995	**2,619,488**	2,515,995

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.

Details of the consolidated entity's areas of interest are disclosed on page 66.

Note 11. Non-current assets – Plant and equipment

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Plant and equipment				
Plant and equipment – at cost	**126,248**	169,427	**126,248**	169,427
Less: Accumulated depreciation	**108,136**	113,495	**108,136**	113,495
	18,112	55,932	**18,112**	55,932

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.

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Plant and equipment				
Carrying amount at 1 July 2004	**55,932**	57,345	**55,932**	57,345
Additions	**2,417**	19,124	**2,417**	19,124
Disposals	**(27,757)**	-	**(27,757)**	-
Depreciation expense (note 3)	**(12,480)**	(20,537)	**(12,480)**	(20,537)
Carrying amount at 30 June 2005	**18,112**	55,932	**18,112**	55,932

Notes to the financial statements
30 June 2005 (continued)

Note 12. Current liabilities – Payables

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Trade creditors	**20,629**	93,746	**20,629**	93,746
Other creditors	**56,726**	60,301	**56,726**	60,301
	77,355	154,047	**77,355**	154,047

Note 13. Contributed equity

	Notes	Parent entity		Parent entity	
		2005	2004	**2005**	2004
		Shares	Shares	**$**	$
(a) Share capital					
Ordinary shares					
Fully paid	(b),(c)	**157,883,938**	126,307,151	**6,545,183**	5,462,564
Option issue premium		**-**	-	**525,963**	525,963
		157,883,938	126,307,151	**7,071,146**	5,988,527

(b) Movements in ordinary share capital

Date	**Details**	**Notes**	**Number of shares**	**Issue price $**	**$**
1 July 2003	Balance		110,057,151		5,476,296
27 August 2003	Placement of shares	(f)	16,000,000	0.032	512,000
18 February 2004	Exercise of options	(d)	250,000	0.05	12,500
	Less: Transaction costs arising on placement of shares				(12,269)
30 June 2004	Balance		126,307,151		5,988,527
1 October 2004	Rights Issue	(f)	11,648,158	0.035	407,686
8 November 2004	Rights Issue	(f)	2,244,817	0.035	78,569
24 November 2004	Rights Issue	(f)	1,700,000	0.035	59,500
3 December 2004	Rights Issue	(f)	5,036,666	0.035	176,283
16 December 2004	Rights Issue	(f)	10,947,146	0.035	383,150
	Less: Transaction costs arising on placement of shares				(22,569)
			157,883,938		7,071,146

(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 21.

(e) Movements in listed options

	Parent entity	
	2005	2004
	Options	Options
Balance 1 July 2004	**54,685,775**	54,687,642
Exercised during the year	**-**	1,867
Expired 31 March 2005	**(54,685,775)**	-
Balance 30 June 2005	**-**	54,685,775

Listed options granted 12 June 2002 expiring 31 March 2005 at 15 cents per ordinary share.

Notes to the financial statements
30 June 2005 (continued)

Note 13. Contributed equity (continued)

(f) Ordinary share issues

On 31 July 2003 the company announced a placement of 16,000,000 ordinary shares at 3.2 cents per share. The placement was fully subscribed.

On 24 August 2004 the company invited its shareholders to subscribe to a rights issue of 31,576,787 ordinary shares at an issue price of 3.5 cents per share on the basis of 1 share for every 4 fully paid ordinary shares held. The issue was fully subscribed.

Note 14. Accumulated losses

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Accumulated (losses) at the beginning of the financial year	**(2,122,235)**	(1,605,422)	**(2,122,235)**	(1,605,422)
Net profit(loss) attributable to members of Glengarry Resources Limited	**(1,093,321)**	(516,813)	**(1,093,321)**	(516,813)
Accumulated (losses) at the end of the financial year	**(3,215,556)**	(2,122,235)	**(3,215,556)**	(2,122,235)

Note 15. Equity

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Total equity at the beginning of the financial year	**3,866,292**	3,870,874	**3,866,292**	3,870,874
Total changes in equity recognised in the statement of financial performance	**(1,093,321)**	(516,813)	**(1,093,321)**	(516,813)
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	**1,082,619**	512,231	**1,082,619**	512,231
Total equity at the end of the financial year	**3,855,590**	3,866,292	**3,855,590**	3,866,292

Note 16. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Bills of exchange which have been purchased at a discount to face value are carried on the statement of financial position at an amount less than the amount realisable at maturity. The total credit risk exposure of the consolidated entity could also be considered to include the difference between the carrying amount and the realisable amount (refer notes 6 and 9).

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets bearing variable interest rates as the consolidated entity intends to hold fixed rate assets to maturity.

Notes to the financial statements
30 June 2005 (continued)

Note 16. Financial instruments (continued)

2005	Notes	Floating interest rate $	Non-interest bearing $	Total $
Financial assets				
Cash and deposits	5	84,714	4,983	89,697
Receivables	6	1,096,591	67,716	1,164,307
Other financial assets - investments	9	-	21,571	21,571
		1,181,305	94,270	1,275,575
Weighted average interest rate		5.32%		
Financial liabilities				
Trade and other creditors	12	-	77,355	77,355
Net financial assets		1,181,305	16,915	1,198,220

2004	Notes	Floating interest rate $	Non-interest bearing $	Total $
Financial assets				
Cash and deposits	5	225,514	1,683	227,197
Receivables	6	996,869	45,266	1,042,135
Other financial assets - investments	9	-	159,259	159,259
		1,222,383	206,208	1,428,591
Weighted average interest rate		5.06%		
Financial liabilities				
Trade and other creditors	12	-	154,047	154,047
Net financial assets		1,222,383	52,161	1,274,544

(c) Net fair value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued at cost or by reference to market prices prevailing at balance date where those market prices are below cost. For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

Note 17. Director and executive disclosures

Directors

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

Chairman - non-executive
K G McKay (from 26 August 2004 - 30 June 2005)

Executive directors
D R Richards, Managing Director
A J Alston, Exploration Director (from 1 July 2004 - 17 September 2004)

Non-executive directors
I J Gordon
A T Harris

Executives (other than directors) with the greatest authority for strategic direction and management

The following person was the only executive with the greatest authority for the strategic direction and management of the consolidated entity ("specified executive") during the financial year:

Name	Position	Employer
K M Seymour	Exploration Manager (from 1 September 2004 - 30 June 2005)	Glengarry Resources Limited

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

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 linkage/alignment of executive compensation
- transparency
- capital management.

The company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides recognition for contribution.

The framework currently consists of fixed salaries.

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 endeavours 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 do not receive share options.

Notes to the financial statements
30 June 2005 (continued)

Note 17. Director and executive disclosures (continued)

Remuneration of directors and executives (continued)

Directors' fees

The current base remuneration was last reviewed with effect from 1 December 2004. Director's remuneration is inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool limit currently stands at $200,000.

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. The company may consider introducing long-term equity-linked performance incentives specifically for executives during the year ending 30 June 2006.

Base pay

Structured as a total employment cost package which may be delivered as a mix 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 may 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 fixed in any senior executives' contracts.

Benefits

Executives may receive benefits including health care insurance, car allowance and tax advisory services.

Retirement benefits

Directors and employees are permitted to nominate a superannuation fund of their choice for the payment of superannuation contributions.

Employee Incentive Scheme

Information on the Employee Incentive Scheme is set out on page 53.

Details of remuneration

Details of the remuneration of each director of Glengarry Resources Limited and the one executive of the company and the consolidated entity are set out in the following tables.

Notes to the financial statements
30 June 2005 (continued)

Note 17. Director and executive disclosures (continued)

Remuneration of directors and executives (continued)

Details of remuneration (continued)

Directors of Glengarry Resources Limited

2005	Primary	Post-employment	Equity	
Name	Cash salary and fees $	Super-annuation $	Options $	Total $
K G McKay *	36,016	3,241		39,257
A T Harris	105,445	3,048	-	108,493
D R Richards	146,789	14,391	615	161,795
I J Gordon	41,083	2,506	-	43,589
A J Alston (From 1.7.04 to 17.9.04)	44,018	2,538	-	46,556
Total	**373,351**	**25,724**	**615**	**399,690**

* K G McKay was appointed a director on 26 August 2004.

Total remuneration of directors of Glengarry Resources Limited for the year ended 30 June 2004 is set out below.

2004	Primary		Post-employment	Equity	
Name	Cash salary and fees $	Non-monetary benefits $	Super-annuation $	Options $	Total $
A T Harris	111,852	-	3,600	-	115,452
A J Alston	123,853	7,099	11,147	-	142,099
D R Richards *	137,615	-	12,385	1,090	151,090
I J Gordon **	7,123	-	641	-	7,764
M J Glasson (From 1.7.03 to 19.3.04)	45,541	-	1,687	-	47,228
Total	**425,984**	**7,099**	**29,460**	**1,090**	**463,633**

* D R Richards was appointed Managing Director on 1 September 2003. Before this appointment he was the company's Exploration Manager. Amounts shown above include all Mr Richards's remuneration during the reporting period, whether as Managing Director or as Exploration Manager. Amounts received in his position as Managing Director amounted to $130,000, made up of cash salary and fees $110,092, superannuation of $9,908 and options of $1,090.

** I J Gordon was appointed a director on 19 March 2004

Specified executive of the consolidated entity

2005	Primary	Post-employment	Equity	
Name	Cash salary and fees $	Super-annuation $	Options $	Total $
K M Seymour *	84,014	7,561	8,270	99,845

* K M Seymour was appointed Exploration Manager on 1 September 2004.

Notes to the financial statements
30 June 2005 (continued)

Note 17. Director and executive disclosures (continued)

Remuneration of directors and executives (continued)

Specified executives of the consolidated entity (continued)

Total remuneration of specified executives for the year ended 30 June 2004 is set out below.

2004	Primary		Post-employment	Equity	
Name	Cash salary and fees $	Non-monetary benefits $	Super-annuation $	Options $	Total $
D R Richards	36,697	-	3,303	2,500	42,500

Service agreements

Remuneration and other terms of employment for the Managing Director and Exploration Director are formalised in service agreements. Each of these agreements 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 - notice period of six months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $160,000, to be reviewed annually by the remuneration committee.

K M Seymour, *Exploration Manager*

- Term of agreement - notice period of three months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2005 of $110,000, to be reviewed annually by the remuneration committee.

Share-based compensation

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	Date exercisable
8 March 2004	18 February 2006	15 cents	$0.00072	At any time during the option period
6 October 2004	1 September 2005	5 cents	$0.00614	At any time during the option period
6 October 2004	1 September 2006	10 cents	$0.00486	At any time during the option period
6 October 2004	1 September 2007	15 cents	$0.00554	At any time during the option period
11 February 2005	30 June 2006	10 cents	$0.00053	At any time during the option period
11 February 2005	30 June 2007	15 cents	$0.00070	At any time during the option period

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 or at the absolute discretion of the directors.

Options are granted under the scheme for no consideration. The period of the options granted is subject to the discretion of the directors, up to a maximum of five years from the date of grant.

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 not be less than 80% of market price on the date upon which the directors first resolved to grant the options.

Notes to the financial statements
30 June 2005 (continued)

Note 17. Director and executive disclosures (continued)

Remuneration of directors and executives (continued)

Share-based compensation - employee incentive scheme

The Managing Director of Glengarry Resources Limited and the specified executive of the consolidated entity have elected to participate in the company's Employee Incentive Scheme.

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Glengarry Resources Limited and the specified executive of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of Glengarry Resources Limited. Further information on the options is set out in note 21.

Name	Number of options granted during the year	Number of options vested during the year
Directors of Glengarry Resources Limited		
D R Richards	1,000,000	-
Specified executives of the consolidated entity		
K M Seymour	1,500,000	-

The assessed fair value at grant date of options granted to directors and specified executives 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 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.

The model inputs for options granted during the years ended 30 June 2005 and 30 June 2004 included:

2005

Grant date	6 October 2004	6 October 2004	6 October 2004	11 February 2005	11 February 2005
Expiry date	1 September 2005	1 September 2006	1 September 2007	30 June 2006	30 June 2007
Quantity	500,000	500,000	500,000	500,000	500,000
Exercise price	$0.05	$0.10	$0.15	$0.10	$0.15
Consideration	Nil	Nil	Nil	Nil	Nil
Share price at grant date	$0.036	$0.036	$0.036	$0.035	$0.035
Expected price volatility of the company's shares	71%	71%	71%	48%	48%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	5.41%	5.41%	5.41%	5.41%	5.41%

2004

Grant date	8 March 2004	8 March 2004
Expiry date	18 February 2005	18 February 2006
Quantity	500,000	500,000
Exercise price	$0.10	$0.15
Consideration	Nil	Nil
Share price at grant date	$0.052	$0.052
Expected price volatility of the company's shares	50%	50%
Expected dividend yield	Nil	Nil
Risk-free interest rate	5.22%	5.22%

Notes to the financial statements
30 June 2005 (continued)

Note 17. Director and executive disclosures (continued)

Equity instrument disclosures relating to directors and executives (continued)

Shares provided on exercise of remuneration options

There were no ordinary shares in the company provided as a result of the exercise of remuneration options to a director of Glengarry Resources Limited or the specified executive of the consolidated entity.

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 the specified executive of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Glengarry Resources Limited						
D R Richards	1,000,000	1,000,000	-	(500,000)	1,500,000	1,500,000
A T Harris	10,000,000	-	-	(10,000,000)	-	-
A J Alston *	1,345,000	-	-	(1,345,000)	-	-
Specified executive of the consolidated entity						
K M Seymour	-	1,500,000	-	-	1,500,000	1,500,000

* A J Alston resigned as a director on 17 September 2004.

No options are vested and unexercisable at the end of the year.

Share holdings

The numbers of shares in the company held during the financial year by each director of Glengarry Resources Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out below.

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				
Ordinary shares				
A T Harris	12,567,548	-	3,141,886	15,709,434
D R Richards *	450,000	-	100,000	550,000
I J Gordon	-	-	125,000	125,000
A J Alston **	3,340,934	-	(3,340,934)	-
Specified executive of the consolidated entity				
K M Seymour	-	-	500,000	500,000

* The balance at the end of the year includes 250,000 shares issued on the exercise of options granted under the Employee Incentive Scheme and held in the name of W L Richards, wife of D R Richards.

** A J Alston resigned as director on 17 September 2004.

Loans to directors and executives

There are no loans made to directors of Glengarry Resources Limited or the specified executive of the consolidated entity.

Notes to the financial statements
30 June 2005 (continued)

Note 17. Director and executive disclosures (continued)

Other transactions with directors and specified executives

Directors of Glengarry Resources Limited

A director, Mr A T Harris and his wife are directors and shareholders of Havelock Corporate Services Proprietary which has provided corporate and secretarial services on normal commercial terms and conditions.

A director, Mr I J Gordon and his wife are directors and shareholders of Resource Access Pty Ltd which has provided consulting services to Glengarry Resources Limited on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors of Glengarry Resources Limited:

	2005	2004
	$	$
Amounts recognised as expense		
Corporate and secretarial fees	**71,584**	71,852
Geological consulting fees	**-**	15,475
Administration services	**-**	11,316
	71,584	98,643
Amounts recognised as exploration expenditure		
Administration services	**6,120**	-

Aggregate amounts of assets at balance date relating to the above types of transactions with directors of Glengarry Resources Limited

	2005	2004
	$	$
Non-current assets	**6,120**	-

Note 18. Remuneration of auditors

	Consolidated		**Parent entity**	
	2005	2004	**2005**	2004
	$	$	**$**	$
During the year the following services were paid to the auditor of the parent entity:				
Assurance services				
Audit services				
Fees paid to PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**20,700**	15,715	**20,700**	15,715

Note 19. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2005 in respect of:

Guarantees

Guarantees given in respect of bank security bonds amounting to $74,000 (2004 - $94,000), secured by floating charge over the assets of the consolidated entities.

Cross guarantees given by Glengarry Resources Limited, Glengarry Mining NL, Lymcloud Pty Ltd, Diamantina Resources Pty Ltd and Plural.com Pty Ltd as described in note 24. No deficiencies of assets exist in any of these companies except for amounts owed to Glengarry Resources Limited and these have been provided against.

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

Notes to the financial statements
30 June 2005 (continued)

Note 20. Commitments for expenditure

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Capital commitments				
Commitments for minimum expenditure on mining tenements contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**1,013,608**	968,855	**1,013,608**	968,855
Later than one year but not later than 5 years	**7,299,432**	6,489,420	**7,299,432**	6,489,420
Later than 5 years	**-**	-	**-**	-
	8,313,040	7,458,275	**8,313,040**	7,458,275

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

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Lease commitments				
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	**35,020**	33,270	**35,020**	33,270
Later than one year but not later than 5 years	**17,948**	52,968	**17,948**	52,968
Later than 5 years	**-**	-	**-**	-
	52,968	86,238	**52,968**	86,238

Note 21. Employee benefits

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Employee benefit and related on-costs liabilities				
Included in other creditors - current (note 12)	**33,919**	46,837	**33,919**	46,837
Aggregate employee benefit and related on-costs liabilities	**33,919**	46,837	**33,919**	46,837
Employee numbers				
Average number of employees during the financial year	**8**	8	**8**	8

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.

Notes to the financial statements
30 June 2005 (continued)

Note 21. Employee benefits (continued)

Employee Incentive Scheme (continued)

- 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 80% of 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.

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
		$	Number	Number	Number	Number	Number
Consolidated and parent entity - 2005							
8 March 2004	8 March 2006	0.05	600,000	-	-	-	600,000
8 March 2004	18 February 2005	0.05	500,000	-	-	500,000	-
8 March 2004	18 February 2006	0.10	500,000	-	-	-	500,000
6 October 2004	1 September2005	0.05	-	500,000	-	-	500,000
6 October 2004	1 September 2006	0.10	-	500,000	-	-	500,000
6 October 2004	1 September 2007	0.15	-	500,000	-	-	500,000
11 February 2005	30 June 2006	0.10	-	500,000	-	-	500,000
11 February 2005	30 June 2007	0.15	-	500,000	-	-	500,000
			1,600,000	2,500,000	-	500,000	3,600,000
Consolidated and parent entity - 2004							
4 April 2003	18 February 2004	0.05	500,000	-	250,000	250,000	-
8 March 2004	8 March 2006	0.05	-	600,000	-	-	600,000
8 March 2004	18 February 2005	0.10	-	500,000	-	-	500,000
8 March 2004	18 February 2006	0.15	-	500,000	-	-	500,000
			500,000	1,600,000	250,000	250,000	1,600,000

Options exercised during the financial year and number of shares issued to employees on the exercise of options.

Exercise date	Fair value of shares at issue date	Consolidated 2005 $	Consolidated 2004 $	Parent entity 2005 $	Parent entity 2004 $
18 February 2004	$0.048	**-**	250,000	**-**	250,000

The fair value of shares issued on the exercise of options is the weighted average price at which the company's shares were traded on the Australian Stock Exchange on the day prior to the exercise of the options.

	Consolidated 2005	Consolidated 2004	Parent entity 2005	Parent entity 2004
Options vested at the reporting date	**3,600,000**	1,600,000	**3,600,000**	1,600,000

	Consolidated 2005 $	Consolidated 2004 $	Parent entity 2005 $	Parent entity 2004 $
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	**-**	12,500	**-**	12,500

	Consolidated 2005 $	Consolidated 2004 $	Parent entity 2005 $	Parent entity 2004 $
Fair value of shares issued to employees on the exercise of options as at their issue date	**-**	12,000	**-**	12,000

Notes to the financial statements
30 June 2005 (continued)

Note 22. Related parties

Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 17.

Wholly-owned group

The wholly-owned group consists of Glengarry Resources Limited and its wholly-owned controlled entities: Glengarry Mining NL, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Lymcloud Pty Ltd. Ownership interests in these controlled entities are set out in note 23.

There were no transactions between Glengarry Resources Limited and other entities in the wholly-owned group during the years ended 30 June 2005 and 2004.

Aggregate amounts receivable from entities in the wholly-owned group at balance date:

	Parent entity	
	2005	2004
	$	$
Non-current receivables (loans)	**4,935,255**	4,935,255
Less: Provision for non-recovery	**4,935,255**	4,935,255
	-	-

Controlling entities

The ultimate parent entity in the wholly-owned group is Glengarry Resources Limited.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

(a) Controlled entities – note 23.

(b) Joint ventures – note 25.

Note 23. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2005	2004
			%	%
Lymcloud Pty Ltd	Australia	Ordinary	**100**	100
Plural.com Pty Ltd	Australia	Ordinary	**100**	100
Diamantina Resources Pty Ltd	Australia	Ordinary	**100**	100
Glengarry Mining NL	Australia	Ordinary	**100**	100

These controlled entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information see note 24.

Note 24. Deed of cross guarantee

Glengarry Resources Limited, Lymcloud Pty Ltd, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Glengarry Mining NL are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Glengarry Resources Limited, they also represent the 'Extended Closed Group'.

A condensed consolidated statement of financial performance and a summary of movements in consolidated retained profits (losses) for the year ended 30 June 2005 of the Closed Group consisting of Glengarry Resources Limited, Lymcloud Pty Ltd, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Glengarry Mining NL has not been included because the position is the same as the consolidated statement of financial performance and the consolidated statement of financial position.

Notes to the financial statements
30 June 2005 (continued)

Note 25. Interests in joint ventures

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

		Parent entity	
		2005	2004
Joint venture name:		**%**	%
*	Larranganni Joint Venture	**-**	7.5
*	Watts Rise Joint Venture	**-**	7.5
**	Tanami Downs Joint Venture	**-**	100.00
***	Inningarra Joint Venture	**100**	100.00
****	Snake Creek Joint Venture	**100**	-
*****	Mt Guide Joint Venture	**100**	-

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

*	These interests were sold during the financial year.
**	Terminated 2 March 2005.
***	Newmont Tanami Pty Ltd earning 70%.
****	Mount Isa Mines Limited earning 75%.
*****	Summit Resources (Aust) Pty Ltd earning 80%.

Note 26. Events occurring after reporting date

Since 30 June 2005, on 8 September 2005 the company announced a 15% placement of 23,682,590 ordinary shares at 4 cents per share which will raise $947,303.

The financial effect of the above transaction has not been brought to account at 30 June 2005.

Note 27. Reconciliation of profit(loss) from ordinary activities after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Operating profit (loss) after income tax	**(1,093,321)**	(516,813)	**(1,093,321)**	(516,813)
Depreciation and amortisation	**12,480**	20,537	**12,480**	20,537
Write down of investments	**22,859**	27,908	**22,859**	27,908
Net (profit) on sale of non-current assets	**(50,004)**	(790,604)	**(50,004)**	(790,604)
Exploration and evaluation expenditure written off	**582,628**	734,797	**582,628**	734,797
Change in operating assets and liabilities				
Decrease(increase) in other debtors	**50**	4,619	**50**	4,619
Decrease(increase) in other operating assets	**51**	(3,071)	**51**	(3,071)
Increase(decrease) in trade creditors	**(3,753)**	34,083	**(3,753)**	34,083
Net cash used in operating activities	**(529,010)**	(488,544)	**(529,010)**	(488,544)

Note 28. Earnings per share

	Consolidated	
	2005	2004
	Cents	Cents
Basic earnings per share	**(0.747)**	(0.418)
Diluted earnings per share	**(0.747)**	(0.418)

	Consolidated	
	2005	2004
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	**146,290,895**	123,656,876
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	**146,290,895**	123,656,876

There were a further 3,600,000 potential ordinary shares (options) not considered to be dilutive.

Losses used in calculating losses per share		
Net loss	**(1,093,321)**	(516,813)

Note 29. Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports quarterly to the audit committee.

The project team has analysed all of the AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.* These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each line item in the statements of financial performance and statements of financial position, with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and IASB. Therefore, until the company prepares its first full AIRFS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Notes to the financial statements
30 June 2005 (continued)

Note 29. Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the statements of financial performance

	Notes	Consolidated Existing GAAP $	Consolidated effect of change $	Consolidated AIFRS $	Parent entity Existing GAAP $	Parent entity effect of change $	Parent entity AIFRS $
Revenue from ordinary activities	c	492,166	(414,530)	77,636	492,166	(414,530)	77,636
Other income	c	-	50,004	50,004	-	50,004	50,004
Employee benefits expense	a	(262,514)	(8,885)	(286,039)	(262,514)	(8,885)	(286,039)
Depreciation and amortisation expenses		(12,480)	-	(12,480)	(12,480)	-	(12,480)
Write down of exploration and evaluation		(582,628)	-	(582,628)	(582,628)	-	(582,628)
Write down of investments	b	(22,859)	-	(22,859)	(22,859)	-	(22,859)
Carrying amount of non-current assets sold	c	(364,526)	364,526	-	(364,526)	364,526	-
Consultancy costs		(74,712)	-	(74,712)	(74,712)	-	(74,712)
Insurance costs		(40,238)	-	(40,238)	(40,238)	-	(40,238)
Rent of premises		(37,388)	-	(37,388)	(37,388)	-	(37,388)
Shareholder expenses		(18,372)	-	(18,372)	(18,372)	-	(18,372)
Professional fees		(37,700)	-	(37,700)	(37,700)	-	(37,700)
Other expenses from ordinary activities		(132,070)	-	(132,070)	(132,070)	-	(132,070)
Profit (loss) from ordinary activities before related income tax expense		(1,093,321)	(8,885)	(1,102,206)	(1,093,321)	(8,885)	(1,102,206)
Income tax expense		-	-	-	-	-	-
		(1,093,321)	(8,885)	(1,102,206)	(1,093,321)	(8,885)	(1,102,206)
Total changes in equity attributable to members of Glengarry Resources Limited other than those resulting from transactions with owners as owners		(1,093,321)	(8,885)	(1,102,206)	(1,093,321)	(8,885)	(1,102,206)
		Cents	**Cents**	**Cents**	**Cents**	**Cents**	**Cents**
Basic earnings per share		(0.747)	(0.006)	(0.753)	(0.747)	(0.006)	(0.753)
Diluted earnings per share		(0.747)	(0.006)	(0.753)	(0.747)	(0.006)	(0.753)

Notes to the financial statements
30 June 2005 (continued)

Note 29. Impacts of adopting Australian equivalents to IFRS (continued)

Impact on the statements of financial position

	Notes	Consolidated Existing GAAP $	Consolidated effect of change $	Consolidated AIFRS $	Parent entity Existing GAAP $	Parent entity effect of change $	Parent entity AIFRS $
Current assets							
Cash assets		89,697	-	89,697	89,697	-	89,697
Receivables		1,164,307	-	1,164,307	1,164,307	-	1,164,307
Other		19,770	-	19,770	19,770	-	19,770
Total current assets		1,273,774	-	1,273,774	1,273,774	-	1,273,774
Non-current assets							
Other financial assets	b	21,571	-	21,571	21,571	-	21,571
Exploration and evaluation		2,619,488	-	2,619,488	2,619,488	-	2,619,488
Plant and equipment		18,112	-	18,112	18,112	-	18,112
Total non-current assets		2,659,171	-	2,659,171	2,659,171	-	2,659,171
Total assets		3,932,945	-	3,932,945	3,932,945	-	3,932,945
Current liabilities							
Payables		77,355	-	77,355	77,355	-	77,355
Total current liabilities		77,355	-	77,355	77,355	-	77,355
Total liabilities		77,355	-	77,355	77,355	-	77,355
Net assets		3,855,590	-	3,855,590	3,855,590	-	3,855,590
Equity							
Parent entity interest							
Contributed equity		7,071,146	-	7,071,146	7,071,146	-	7,071,146
Reserves	a	-	8,885	8,885	-	8,885	8,885
Accumulated losses	a, c	(3,215,556)	(8,885)	(3,224,441)	(3,215,556)	(8,885)	(3,224,441)
Total equity		3,855,590	-	3,855,590	3,855,590	-	3,855,590

Note 29. Impacts of adopting Australian equivalents to IFRS (continued)

Notes explaining the impacts on the statements of financial performance and statements of financial position

(a) Equity-based compensation benefits

Under AASB 2 *Share-based Payment*, from 1 July 2004 the group is required to recognise an expense for those options that were issued to employees under the Employee Incentive Scheme after 7 November 2002 but that had not vested by 1 January 2005.

This will result in a change to the current accounting policy under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity retained profits at 30 June 2005 would have been $8,885 lower, with a corresponding increase in the share-based payment reserve. For the year ended 30 June 2005, the consolidated and parent entity employee benefits expense would have been $8,885 higher, with a corresponding increase in the net movement in the share-based payment reserve.

(b) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments with the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 132. the current classification of financial instruments issued by entities in the consolidated entity would not change.

AASB 139 is likely to have the following impacts:

Classification and measurement of financial assets and liabilities

Under AASB 139, financial assets held by entities in the consolidated entity will be classified as either at fair value through profit or loss, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost.

Under AASB 139, investments in

- non-traded equity securities and debentures will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised
- zero coupon bonds will be classified as held-to-maturity and recognised initially at fair value with subsequent measurement at amortised cost, using the effective interest rate method
- traded equity securities will be classified as held for trading and measured at fair value, with changes in fair value recognised in profit or loss
- loans and receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change to the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

As a result of the application of the exemption referred to above, there would have been no adjustment to the classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

(c) Revenue disclosures in relation to the sale of non-current assets

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil.

Notes to the financial statements
30 June 2005 (continued)

Note 29. Impacts of adopting Australian equivalents to IFRS (continued)

Notes explaining the impacts on the statements of financial performance and statements of financial position (continued)

(c) Revenue disclosures in relation to the sale of non-current assets (continued)

If the policy required under AIFRS had been applied during the year ended 30 June 2005, the consolidated revenue from ordinary activities would have been $364,526 lower (parent entity $364,526 lower) and the consolidated carrying amount of non-current assets sold disclosed as an expense in the statement of financial performance would have been $364,526 lower (parent entity $364,526 lower).

Under AIFRS consolidated profit from the sale of non-current assets is classified as other income. This is in contrast to the current Australian GAAP treatment under which gross proceeds on sale are classified as ordinary activities. If the policy required under AIFRS had been applied during the year ended 30 June 2005, the consolidated revenue from ordinary activities would have been $414,530 lower (parent entity $414,530 lower) and consolidated other income would have been $50,004 higher (parent entity $50,004 higher).

Directors' declaration

The directors declare that the financial statements and notes set out on pages 29 to 61:

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

(b) give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance the *Corporations Act 2001*; 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) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 24.

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

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

D R Richards
Managing Director

Perth
7 September 2005

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of Glengarry Resources Limited

Audit opinion

In our opinion, the financial report of Glengarry Resources Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Glengarry Resources Limited and the Glengarry Resources Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Glengarry Resources Limited (the company) and the Glengarry Resources Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
7 September 2005

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:

	Location	Interest %	Inferred		
			,000 tonnes	average grade (g/t)	Cut-off grade (g/t)
Great Britain	Queensland	100	1,540	2.20	1.0

Any apparent errors are due to rounding.

The Great Britain resource estimate was prepared by Resource Evaluations Pty Ltd. The estimate complies with recommendations of the Australalasian Code for Reporting of Mineral Resources and Ore Reserves Report prepared in 1999 by the Joint Ore Reserves Committee (JORC).

Mining tenement interests

PROJECT	TENEMENT	AREA (sq km)	INTEREST	JV PARTNER(S)	OPERATOR
GOLD - BASE METAL PROJECTS					
Queensland					
Greenvale	EPM 12123 EPM 12399 EPM 12510 EPM 12511 EPM 12512 EPM 12513 EPM 12961 EPM 14346 EPM 14925 EPM(A) 15049 EPM(A) 15050 EPM(A) 15051 EPM(A) 15113 MDL 107	29 23 356 120 204 467 301 113 29 32 143 758 159 1	100%		
Cannington	EPM 13681	181	100%		
Mt Guide Joint Venture	EPM 14233	134	100% *	Summit Resources (Aust) Pty Ltd, earning 70%	Summit Resources (Aust) Pty Ltd
Snake Creek Joint Venture	EPM 14449	259	100% **	Mount Isa Mines Limited, earning 75%	Xstrata Copper Exploration Pty Ltd
GOLD PROJECTS					
Queensland					
Charters Towers	EPM 14174 EPM 14388 EPM 14458 EPM 14604 EPM 14690	126 303 23 322 283	100%		
Northern Territory					
Inningarra Joint Venture	EL(A) 23625	193	100% ***	Newmont Tanami Pty Ltd earning 70%	Newmont Tanami Pty Ltd

*	Subject to Farm-in and Joint Venture Agreement with Summit Resources (Aust) Pty Ltd dated 10 March 2005
**	Subject to Farm-in and Joint Venture Agreement with Mt Isa Mines Limited dated 8 April 2005
***	Subject to Farm-in and Joint Venture Agreement with Newmont Tanami Pty Ltd dated 15 October 2003
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 6 September 2005.

A. 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	25	-
1,001 - 5,000	169	-
5,001 - 10,000	342	-
10,001 - 100,000	998	-
100,001 and over	254	5
	1,788	5

(b) There were 399 holders of less than a marketable parcel of ordinary shares.

B. 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**
Brodrick Nominees Pty Ltd	9,555,498	6.05
Havelock Corporate Services Proprietary	5,181,811	3.28
Yandal Investments Pty Ltd	4,952,381	3.14
H Szalacki	3,270,235	2.07
Lyandra Pty Ltd	2,875,000	1.82
Tanami Gold NL	2,700,000	1.71
Perpetual Custodians Limited	2,217,800	1.40
FMB Enterprises Pty Ltd	2,000,000	1.27
Parkes Holdings Pty Ltd	2,000,000	1.27
M Thom	2,000,000	1.27
Howard-Smith Investments Pty Ltd	1,893,938	1.20
Pegmont Mines NL	1,500,000	0.95
J K Beckerson	1,375,000	0.87
J E Spicer	1,314,847	0.83
S P McKay	1,300,000	0.82
H V Ashcroft	1,265,417	0.80
C and B Bacon	1,250,000	0.79
Jacqueline Kay Pty Ltd	1,200,000	0.76
Sharelly Holdings Pty Ltd	1,000,000	0.63
Forty Traders Limited	1,000,000	0.63
	49,851,927	31.56

Shareholder information (continued)

B. Equity security holders (continued)

Unquoted equity securities

	Number on issue	Number of holders
Options granted under the Employee Incentive Scheme to take up ordinary shares	3,100,000	5

The names of the five largest holders of each class of unquoted equity security are listed below:

	Options	
Name	**Number held**	**Percentage of issued options**
W L Richards	1,500,000	48.39
A E Seymour	1,000,000	32.26
S P Hamdorf	200,000	6.45
B I Hogarth	200,000	6.45
A K Rigby	200,000	6.45
	3,100,000	100.00

C. Substantial shareholders

Substantial shareholders in the company are set out below:

Ordinary shares	**Number held**	**Percentage**
A T Harris (associate)	15,334,434	9.71
Brodrick Nominees Pty Ltd	9,555,498	6.05

D. Voting rights

The voting rights attaching to each class of shares are set out below:

Ordinary shares:
On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.