GLENGARRY

10 March 2006

Manager Company Announcements
Company Announcements Office
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam

ANNOUNCEMENT
INTERIM FINANCIAL REPORT 31 DECEMBER 2005

We enclose a copy of the interim financial report of Glengarry Resources Limited for the half-year ended 31 December 2005.

Yours faithfully

DAVID RICHARDS
Managing Director

GLENGARRY RESOURCES LIMITED
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GLENGARRY

ABN 40 009 468 099

INTERIM FINANCIAL REPORT
31 DECEMBER 2005

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Glengarry Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Company particulars

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

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

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 Georges Terrace
Perth 6000

Stock exchange listings
Glengarry Resources Limited shares and options 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
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Glengarry Resources Limited
Interim financial report - 31 December 2005

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 half-year ended 31 December 2005.

Directors

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

K G McKay
D R Richards
A T Harris

I J Gordon was a director from the beginning of the half-year until his resignation on 28 November 2005.

Review of operations

A summary of consolidated revenues and results for the half-year is set out below:

	Revenues		**Results**	
	2005	2004	**2005**	2004
	$	$	**$**	$
Revenue from continuing operations	**39,341**	57,213		
Profit(loss) before income tax			**(823,205)**	(322,343)
Income tax expense			**-**	-
Profit(loss) attributable to members of Glengarry Resources Limited			**(823,205)**	(322,343)

Included in the loss of $823,205 is exploration expenditure written off of $487,035, comprising the relinquishment of Twelve Mile Creek, $438,740 and other tenements, $48,295.

Glengarry Resources Limited maintained its focus on the Greenvale Project in North Queensland during the second half of 2005. Significant mineralization was intersected at the Maitland copper-molybdenum and Oasis uranium prospects and further drilling on these targets is a priority for 2006. Exploration will also be carried out on a number of other prospects that have been defined within the Project area.

Glengarry is also active in western Queensland on tenements close to BHP Billiton's 40 to 50 million tonne Cannington silver-lead-zinc mine. Three targets have been defined for further work including the Dolly Pot gravity anomalies which are possibly due to dense, mineralised bodies beneath transported overburden.

The Snake Creek, Mt Guide and Inningarra Projects are subject to farm-out joint venture agreements and exploration on these properties is being managed by other companies. Glengarry is seeking to divest the Charters Towers Project in North Queensland and discussions are in progress with interested parties. Comments on individual projects are set out below:

Directors' report (continued)

Review of operations (continued)

1.0 Exploration

1.1 Greenvale Project, North Queensland (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 deposit and south of Kagara Zinc's high grade Balcooma base metal mines. Work on the Greenvale Project was Glengarry's main operational priority during the second half of 2005 and exploration has highlighted the multi-commodity potential of the property. Highlights for the period include:

- Intersection of high grade copper and molybdenum mineralisation at the Maitland prospect down plunge of historic workings. Better results include 12 metres @ 4.3% copper from 160 metres and 8 metres @ 0.43% molybdenum from 148 metres.
- Confirmation of significant uranium mineralisation (up to 10 metres @ 0.12% U_3O_8) at the Oasis prospect which was discovered in the 1970's by Esso Minerals.
- Identification of the Mt Remarkable gold prospect where geophysics and geochemistry indicate a setting very similar to the 3.5 million ounce Mt Leyshon gold deposit located near Charters Towers approximately 230 kilometres to the southeast.

Glengarry's wholly-owned tenure at Greenvale comprises 2,800 square kilometres of which approximately 85% has now been granted meaning all priority prospects are accessible. Glengarry has also reached agreement with Metallica Minerals Limited to earn 80% of the uranium rights in the Sandy Creek EPM which is located immediately east and south the Oasis uranium prospect. Several strong radiometric anomalies have been defined on the Sandy Creek tenement which is also interpreted to contain the southern extension of the structure that hosts the Oasis mineralisation.

Fieldwork including drilling will recommence on the priority prospects at Greenvale in early 2006 as soon as ground conditions permit following the passing of the northern Australian wet season. In addition to the above prospects, previous exploration has defined strong mineralisation at the T3 (zinc-lead-silver), Gregory (uranium), Galah Dam (zinc-gold) and Bottletree (copper) prospects and further work is planned for these areas.

1.2 Cannington Project, Western Queensland (Glengarry 100%)

The Cannington Project tenements are in western Queensland approximately 300 kilometres southeast of Mt Isa and are located north and south of BHP Billiton's 40 – 50 million tonne Cannington silver-lead-zinc mine. In the second half of 2005, Glengarry identified the most prospective areas within the Project and consequently reduced its tenement holding to 73 square kilometres.

Three prospects have been defined for further exploration in 2006; i.e., Dolly Pot, Crackpot and Glenholme.

Drilling in 2003 at Dolly Pot intersected strong alteration and anomalous copper geochemistry (up to 0.2%) indicative of the margins of a large mineralised system. A detailed gravity survey in August 2005 defined discrete, dense bodies immediately west and north of the area drilled which have been interpreted as possible sulphidic bodies containing base metal mineralisation.

Directors' report (continued)

Review of operations (continued)

1.2 Cannington Project, Western Queensland (Glengarry 100%) (continued)

At Crackpot, the source of gossanous float containing up to 0.24% lead and 0.29% molybdenum has not yet been defined; however, an Induced Polarisation (IP) geophysical survey is proposed which should map out any significant sulphide bodies that could be the source of the anomalous geochemistry.

The Glenholme prospect is approximately 15 kilometres north northwest of the Cannington mine and reconnaissance prospecting has recorded moderately anomalous copper (up to 944 ppm), lead (up to 408 ppm) and silver (up to 2.2 g/t). Follow up soil sampling is planned to determine the extent of the anomalism and to determine whether drill testing is warranted.

1.3 Charters Towers Project, North Queensland (Glengarry 100%)

The Charters Towers Project is located approximately 110 kilometres southwest of Townsville in North Queensland and surrounds the historic gold mining town of the same name. The Project is prospective for a range of different styles of gold mineralisation and Glengarry is seeking to divest or farm out the property. Interested parties are currently reviewing the technical data.

1.4 Joint Venture Farm-Outs

Glengarry has farm out agreements in place for the Snake Creek and Mt Guide Projects in western Queensland and the Inningarra Project in the Northern Territory.

Snake Creek is located approximately 125 kilometres southeast of Mt Isa and is prospective for copper-gold mineralisation. Xstrata Copper has the right to earn up to 75% interest by spending $3 million on exploration over a five year period. Geological mapping, rock chip sampling and soil sampling were undertaken by Xstrata Copper during the second half of 2005 with anomalous copper and gold defined. Follow up work is scheduled for early 2006.

Mt Guide is located approximately 35 kilometres south of Mt Isa and is prospective for base metal and gold mineralisation. Summit Resources Limited has the right to earn up to 80% interest by spending $0.5 million on exploration over a four year period. Summit has defined four targets for drill testing. One hole has been drilled into the Red Bull target with further drilling scheduled for early 2006 when ground conditions permit. No significant assays have been reported from the first hole.

Inningarra is located approximately 35 kilometres southwest of the multi-million ounce Callie gold deposit near the southern margin of the prospective Tanami-Granites geological complex. Newmont Tanami Pty Ltd can earn 75% equity by spending $275,000 on exploration. Newmont is responsible for negotiating access to the tenement with the Traditional Owners and these negotiations are yet to be finalised.

Directors' report (continued)

Review of operations (continued)

2.0 Corporate

2.1 Board and Management Changes

Mr I J Gordon resigned as a non-executive Director of Glengarry Resources Limited on the 28 November 2005. Mr Gordon accepted a full-time position with another company and advised that he no longer had the time to continue as a Director of Glengarry.

2.2 Capital raising

Glengarry raised $947,303.60 via a 15% placement of 23,682,590 ordinary shares fully paid at 4 cents. Glengarry's total issued capital is now 181,566,528 shares.

The funds will continue to be used to advance exploration on targets within the Greenvale Project.

Auditor's independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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

D R Richards
Managing Director
Perth
10 March 2006

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Auditors' Independence Declaration

As lead auditor for the review of Glengarry Resources Limited for the half year ended 31 December 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 review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

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

N Henry

Nick Henry
Partner

Perth
10 March 2006

Glengarry Resources Limited
Interim financial report - 31 December 2005

Consolidated income statement
For the half-year ended 31 December 2005

	Half-year	
	2005	2004
	$	$
Revenue from continuing operations	**39,341**	35,046
Other income	**-**	22,167
Employee benefits expense	**(162,707)**	(143,947)
Depreciation and amortisation expense	**(4,243)**	(7,130)
Exploration write downs	**(487,035)**	(19,756)
Investment write downs	**-**	(30,405)
Consultancy costs	**(38,131)**	(43,443)
Shareholder expenses	**(29,099)**	(19,136)
Accommodation expenses	**(21,998)**	(29,212)
Insurances	**(16,178)**	(19,745)
Professional fees	**(14,760)**	(11,800)
Stock exchange expenses	**(18,754)**	-
Other expenses	**(69,641)**	(63,252)
Profit(loss) before income tax	**(823,205)**	(330,613)
Income tax expense	**-**	-
Profit(loss) for the half-year	**(823,205)**	(330,613)
Profit(loss) attributable to members of Glengarry Resources Limited	**(823,205)**	(330,613)
Earnings per share for profit(loss) from continuing operations attributable to the ordinary equity holders of the company:		
	Cents	Cents
Basic earnings(losses) per share	**(0.48)**	(0.24)
Diluted earnings(losses) per share	**(0.48)**	(0.24)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 31 December 2005

	31 December 2005 $	30 June 2005 $
ASSETS		
Current assets		
Cash and cash equivalents	**1,291,351**	1,186,288
Receivables	**101,286**	87,486
Total current assets	**1,392,637**	1,273,774
Non-current assets		
Available-for-sale financial assets	**34,576**	-
Other financial assets	**-**	21,571
Plant and equipment	**15,893**	18,112
Exploration and evaluation	**2,731,680**	2,619,488
Total non-current assets	**2,782,149**	2,659,171
Total assets	**4,174,786**	3,932,945
LIABILITIES		
Current liabilities		
Payables	**233,792**	77,355
Total current liabilities	**233,792**	77,355
Total liabilities	**233,792**	77,355
Net assets	**3,940,994**	3,855,590
EQUITY		
Contributed equity	**7,960,935**	7,071,146
Reserves	**18,820**	8,885
Accumulated losses	**(4,038,761)**	(3,224,441)
Total equity	**3,940,994**	3,855,590

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the half-year ended 31 December 2005

	Notes	Half-year 2005 $	2004 $
Total equity at the beginning of the half-year		**3,855,590**	3,866,292
Adjustment on adoption of AASB 132 and AASB 139, net of tax:			
Reserves	8(d)	**5,200**	-
Available-for-sale financial assets, net of tax		**7,805**	-
Net income(expenses) recognised directly in equity		**13,005**	-
Profit(loss) for the half-year		**(823,205)**	(330,613)
Total recognised income and expense for the half-year		**(810,200)**	(330,613)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs (note 5)		**889,789**	1,082,619
Employee share options		**5,815**	8,270
		895,604	1,090,889
Total equity at the end of the half-year		**3,940,994**	4,626,568
Total recognised income and expense for the half-year attributable to members of Glengarry Resources Limited		**(810,200)**	(330,613)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement
For the half-year ended 31 December 2005

	Half-year	
	2005	2004
	$	$
Cash flows from operating activities		
Receipts from customers	**2,615**	2,619
Payments to suppliers and employees (inclusive of goods and services tax)	**(406,447)**	(359,711)
	(403,832)	(357,092)
Interest received	**36,831**	30,287
Goods and services tax refunds	**56,991**	50,932
Net cash (outflow) from operating activities	**(310,010)**	(275,873)
Cash flows from investing activities		
Payments for property, plant and equipment	**(2,567)**	(1,600)
Exploration and evaluation expenditure	**(465,013)**	(482,525)
Payments for security deposits	**(7,500)**	(7,500)
Proceeds from sale of non-current assets	**364**	367,375
Net cash (outflow) from investing activities	**(474,716)**	(124,250)
Cash flows from financing activities		
Proceeds from issue of shares	**947,303**	1,105,188
Transactions costs	**(57,514)**	(22,569)
Net cash inflow from financing activities	**889,789**	1,082,619
Net increase in cash and cash equivalents	**105,063**	682,496
Cash and cash equivalents at the beginning of the half-year	**1,186,288**	1,224,066
Cash and cash equivalents at the end of the half-year	**1,291,351**	1,906,562

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements
31 December 2005

1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Glengarry Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
This interim financial report is the first Glengarry Resources Limited interim financial report to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Glengarry Resources Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Glengarry Resources Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 8.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Glengarry Resources Limited ("company" or "parent entity") as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. Glengarry Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

(c) Revenue recognition

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

(d) Income tax

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

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

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

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

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

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

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

(e) Leases

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

(f) Acquisition of assets

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

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

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

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

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

(i) Trade receivables

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

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

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

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

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

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

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

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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

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

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

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm’s length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(l) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

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

(n) Trade and other payables

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

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(o) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

(p) Employee benefits

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

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

(iii) Retirement benefit obligations
The Group contributes to various defined contribution funds for its employees.

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

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the Employee Incentive Scheme.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

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

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(iv) Share-based payments (continued)

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

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

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

(q) Contributed equity

Ordinary shares are classified as equity.

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

(r) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-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) Financial instrument transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the Group was immaterial.

Notes to the financial statements
31 December 2005 (continued)

1 Summary of significant accounting policies (continued)

(t) 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 6 *Exploration for and evaluation of mineral resources*. 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 6 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
31 December 2005 (continued)**

2 Segment information

Primary reporting format - business segments

The consolidated entity operates principally in gold and base metals exploration in Australia.

3 Profit(loss) for the half-year

	Half-year	
	2005	2004
	$	$
Profit(loss) for the half-year includes the following items that are unusual because of their nature, size or incidence:		
Expenses		
Profit(loss) before income tax includes the following specific expenses:		
Loss on sale of plant and equipment	**-**	10,029
Income		
Profit(loss) before income tax includes the following specific income:		
Profit on sale of available-for-sale financial assets	**-**	4,136
Profit on sale of exploration tenements	**-**	28,060

4 Receivables

	31 December 2005	30 June 2005
	$	$
Other receivables	**75,111**	67,716
Prepayments	**26,175**	19,770
	101,286	87,486

5 Equity securities issued

	Half-year		Half-year	
	2005	2004	**2005**	2004
	shares	shares	**$**	$
Issues of ordinary shares during the half-year				
Placement of shares	**23,682,590**	-	**889,789**	-
Entitlements issue of shares	**-**	31,576,787	**-**	1,082,619
	23,682,590	31,576,787	**889,789**	1,082,619

**Notes to the financial statements
31 December 2005 (continued)**

6 Contingent liabilities

The consolidated entity has contingent liabilities at 31 December 2005 in respect of guarantees given for bank security bonds amounting to $30,000 (2004 - $94,000), secured by a floating charge over the assets of the consolidated entities.

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

7 Events occurring after reporting date

Since 31 December 2005, on 10 March 2006 the company issued 27,000,000 ordinary shares full paid by way of a placement at 5 cents per share and raised $1,350,000.

The financial effect of the above transaction has not been brought to account at 31 December 2005.

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
ASSETS				
Current assets				
Cash and cash equivalents	8(4)(e)	227,197	996,869	1,224,066
Receivables	8(4)(f)	1,042,135	(977,048)	65,087
Other	8(4)(f)(i)	19,821	(19,821)	-
Total current assets		1,289,153	-	1,289,153
Non-current assets				
Other financial assets		159,259	-	159,259
Plant and equipment		55,932	-	55,932
Exploration and evaluation		2,515,995	-	2,515,995
Total non-current assets		2,731,186	-	2,731,186
Total assets		4,020,339	-	4,020,339
LIABILITIES				
Current liabilities				
Payables		154,047	-	154,047
Total current liabilities		154,047	-	154,047
Total liabilities		154,047	-	154,047
Net assets		3,866,292	-	3,866,292
EQUITY				
Contributed equity		5,988,527	-	5,988,527
Reserves		-	-	-
Accumulated losses		(2,122,235)	-	(2,122,235)
Total equity		3,866,292	-	3,866,292

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs (continued)

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
ASSETS				
Current assets				
Cash and cash equivalents	8(4)(e)	404,216	1,502,346	1,906,562
Receivables	8(4)(f)	1,557,707	(1,462,606)	95,101
Other	8(4)(f)(ii)	39,740	(39,740)	-
Total current assets		2,001,663	-	2,001,663
Non-current assets				
Other financial assets		33,343	-	33,343
Plant and equipment		22,645	-	22,645
Exploration and evaluation		2,735,144	-	2,735,144
Total non-current assets		2,791,132	-	2,791,132
Total assets		4,792,795	-	4,792,795
LIABILITIES				
Current liabilities				
Payables		166,227	-	166,227
Total current liabilities		166,227	-	166,227
Total liabilities		166,227	-	166,227
Net assets		4,626,568	-	4,626,568
EQUITY				
Contributed equity		7,071,146	-	7,071,146
Reserves	8(4)(a)(ii)	-	8,270	8,270
Accumulated losses		(2,444,578)	(8,270)	(2,452,848)
Total equity		4,626,568	-	4,626,568

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs (continued)

(c) At the end of the reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
ASSETS				
Current assets				
Cash and cash equivalents	8(4)(e)	89,697	1,096,591	1,186,288
Receivables	8(4)(f)	1,164,307	(1,076,821)	87,486
Other	8(4)(f)(iii)	19,770	(19,770)	-
Total current assets		1,273,774	-	1,273,774
Non-current assets				
Other financial assets		21,571	-	21,571
Plant and equipment		18,112	-	18,112
Exploration and evaluation		2,619,488	-	2,619,488
Total non-current assets		2,659,171	-	2,659,171
Total assets		3,932,945	-	3,932,945
LIABILITIES				
Current liabilities				
Payables		77,355	-	77,355
Total current liabilities		77,355	-	77,355
Total liabilities		77,355	-	77,355
Net assets		3,855,590	-	3,855,590
EQUITY				
Contributed equity		7,071,146	-	7,071,146
Reserves	8(4)(a)(iii)	-	8,885	8,885
Accumulated losses		(3,215,556)	(8,885)	(3,224,441)
Total equity		3,855,590	-	3,855,590

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs (continued)

(2) Reconciliation of profit under previous AGAAP to profit under Australian Equivalents to IFRSs (AIFRS)

(a) Reconciliation of profit for the half-year ended 31 December 2004

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
Revenue	8(4)(c)	402,421	(367,375)	35,046
Other income	8(4)(c)	-	22,167	22,167
Employee benefits expense	8(4)(a)(iv)	(135,677)	(8,270)	(143,947)
Depreciation and amortisation expense		(7,130)	-	(7,130)
Write down of exploration and evaluation		(19,756)	-	(19,756)
Write down of investments		(30,405)	-	(30,405)
Carrying amount of non-current assets sold	8(4)(c)	(345,208)	345,208	-
Consultancy costs		(43,443)	-	(43,443)
Insurance costs		(19,745)	-	(19,745)
Rent of premises		(29,212)	-	(29,212)
Shareholder expenses		(19,136)	-	(19,136)
Professional fees		(11,800)	-	(11,800)
Other expenses		(63,252)	-	(63,252)
Profit(loss) before income tax		(322,343)	(8,270)	(330,613)
Income tax expense		-	-	-
Profit(loss) for the half-year		(322,343)	(8,270)	(330,613)
Profit(loss) attributable to members of Glengarry Resources Limited		(322,343)	(8,270)	(330,613)

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs (continued)

(b) Reconciliation of profit for the year ended 30 June 2005

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
Revenue	8(4)(c)	492,166	(414,530)	77,636
Other income	8(4)(c)	-	50,004	50,004
Employee benefits expense	8(4)(b)	(262,514)	(8,885)	(271,399)
Depreciation and amortisation expense		(12,480)	-	(12,480)
Write down of exploration and evaluation		(582,628)	-	(582,628)
Write down of investments		(22,859)	-	(22,859)
Carrying amount of non-current assets	8(4)(c)	(364,526)	364,526	-
Consultancy costs		(74,712)	-	(74,712)
Insurance costs		(40,238)	-	(40,238)
Rent of premises		(37,388)	-	(37,388)
Shareholder expenses		(18,372)	-	(18,372)
Professional fees		(37,700)	-	(37,700)
Other expenses		(132,070)	-	(132,070)
Profit(loss) before income tax		(1,093,321)	(8,885)	(1,102,206)
Income tax expense		-	-	-
Profit(loss) for the year		(1,093,321)	(8,885)	(1,102,206)
Profit(loss) attributable to members of Glengarry Resources Limited		(1,093,321)	(8,885)	(1,102,206)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs (continued)

(4) Notes to the reconciliations

(a) Share-based payments

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. The effect of this is:

(i) At 1 July 2004
There is no effect on the Group.

(ii) At 31 December 2004
For the Group there has been an increase in accumulated losses of $8,270 and a corresponding increase in reserves.

(iii) At 30 June 2005
For the Group there has been an increase in accumulated losses of $8,885 and a corresponding increase in reserves.

(iv) For the half-year ended 31 December 2004
For the Group there has been an increase in employee benefits expense of $8,270.

(v) For the year ended 30 June 2005
For the Group there has been an increase in employee benefits expense of $8,885.

(b) Accumulated losses

The effect on accumulated losses of the changes set out above are as follows:

	Notes	1 July 2004 $	31 December 2004 $	30 June 2005 $
Share-based payments	8(4)(a)	-	(8,270)	(8,885)
Total adjustment		-	(8,270)	(8,885)
Attributable to:				
Equity holders of the parent		-	(8,270)	(8,885)

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs (continued)

(4) Notes to the reconciliations

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

Under AASB 118 *Revenue*, the net gain or loss on the sale of non-current assets is included in other income or other expense as appropriate. Under previous AGAAP, the gross proceeds from the sale of non-current assets were recognised as revenue and the carrying amount of the assets sold as an expense.

(i) At 1 July 2004
There is no effect on the group.

(ii) At 31 December 2004
There is no effect on the group

(iii) At 30 June 2005
There is no effect on the group.

(iv) For the half-year ended 31 December 2004
Revenue is reduced by $367,375, the written down value of non-current assets sold expense is reduced by $345,208 and other income is increased by $22,167

(v) For the year ended 30 June 2005
Revenue is reduced by $414,350, the written down value of non-current assets sold expense is reduced by $364,526 and other income is increased by $50,004.

For the half-year ended 31 December 2005 there is no transitional impact relating to investments and other financial assets, reference note 1(k).

(d) Adjustments on transition to AASB132 *Financial Instruments: Disclosure and presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: *1 July 2005*

	Half-year	
	2005	2004
	$	$
Increase in value of available for sale investments	5,200	-

Refer to notes 1(k) and 1(l) for further information on the transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement on 1 July 2005*.

Notes to the financial statements
31 December 2005 (continued)

8 Explanation of transition to Australian equivalent to IFRSs (continued)

(4) Notes to the reconciliations

(e) Adjustments on transition to cash and cash equivalents

Cash equivalents are deemed to include bank endorsed bills of exchange which are readily convertible to cash on hand, have an insignificant risk of change of value and mature within three months of their maturity within a specified redemption date. Under this definition Bills of Exchange previously classified as receivables have been reclassified as cash and cash equivalents. Refer to note 1(h).

(f) Adjustments on transactions to AASB 101 *Presentation of Financial Statements*

Receivables:

Under AGAAP, prepayments were classified as other current assets. Under AIFRS they have been reclassified into current receivables. The effect of this is:

(i) At 1 July 2004
An increase in receivables and decrease in other current assets of $19,821.

(ii) At 31 December 2004
An increase in receivables and decrease in other current assets of $39,740.

(iii) At 30 June 2005
An increase in receivables and decrease in other current assets of $19,770.

Statutory directors' declaration - half-year

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 32 are in accordance with the *Corporations Act 2001,* including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Glengarry Resources Limited will be able to pay its debts as and when they become due and payable.

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

D R RICHARDS
Managing Director

Perth
10 March 2006

PRICEWATERHOUSECOOPERS

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Independent review report to the members of Glengarry Resources Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Glengarry Resources Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Glengarry Resources Limited Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Glengarry Resources Limited Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Glengarry Resources Limited (the company) and the entities it controlled during that half-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.

PRICEWATERHOUSECOOPERS

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

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

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
10 March 2006