Glengarry Resources Limited

ABN 40 009 468 099

Interim Financial Report
31 December 2009

Contents

GLENGARRY RESOURCES LIMITED

Directors' Report

Your directors present their report on the Consolidated Entity ("Group") consisting of Glengarry Resources Limited ("Glengarry" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2009 together with the consolidated financial report and review report thereon.

Directors

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

D M Murcia
D P Gordon
K G McKay
G T Clifford

P E Freund and R G Hill were appointed as directors on 28 January 2010.

Review of Operations

Financial Position

The net consolidated loss for the half-year was $1,432,950. Included in the loss is a project generation expense of $391,189, merger and acquisition expense of $363,822 and exploration expenditure of $113,682.

There was no change in issued capital during the half-year.

At the end of the half-year the Consolidated Entity had net cash balances of $8,672,561 and net assets of $8,334,838.

Total liabilities amounted to $409,972 and were limited to trade and other creditors and employee benefits.

Exploration

Following a change in strategy in the previous financial year, the Company concentrated its activities on reviewing new project opportunities during the half-year to 31 December 2009. A number of projects were reviewed in detail, including visits to site locations.

In respect of the Company's wholly owned Citadel and Percyvale exploration projects, no active field activities were undertaken during the period. Glengarry is actively marketing these Projects to realise value for the Company.

Exploration work was carried out at several of the Company's joint venture projects. In the Mt Isa region in Queensland, activities were completed by both Ivanhoe Australia Limited on the Snake Creek Project and MM Mining Plc on the Mt Guide Project.

Corporate

On 11 November 2009, Glengarry and Centaurus Resources Limited announced that they had reached agreement to merge to create a well funded Brazilian focussed iron ore group. Under the terms of the takeover offer, Centaurus shareholders were offered eight (8) Glengarry shares for every one (1) Centaurus share they held. A separate offer was made to Centaurus optionholders, with the consideration being equivalent Glengarry options on terms consistent with the Share Offer. Both the Share and Option Offer were conditional upon a number of conditions, including a 90% minimum acceptance level.

Subsequent to the end of the half-year, Glengarry announced on 19 January 2010 that all of the conditions for the takeover offer had either been met or waived and the Share and Option Offers were declared unconditional. The takeover offer closed on 29 January 2010 and Glengarry had received 95.2% acceptances for the Share Offer and 98.9% acceptances for the Option Offer. On 5 February 2010 the Company commenced the compulsory acquisition process to acquire the remaining shares and options for which acceptances had not been received.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2009 is set out on page 5.

D P Gordon
Managing Director

Perth
12 March 2010

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

To: the directors of Glengarry Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

T R Hart
Partner

Perth

12 March 2010

GLENGARRY RESOURCES LIMITED

Condensed Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2009

	Note	31 December 2009 $	31 December 2008 $
Other income	6	**-**	3,184,102
Employee benefits expense		**(566,537)**	(385,432)
Depreciation expense		**(6,527)**	(12,393)
Exploration expense		**(113,682)**	(687,629)
Project generation expense		**(391,189)**	(172,886)
Merger and acquisition expense		**(363,822)**	-
Administration expense		**(183,266)**	(279,624)
Results from operating activities		**(1,625,023)**	1,646,138
Finance income – interest income		**192,073**	317,683
Finance expense – impairment loss on available-for-sale financial assets		**-**	(658,452)
Net finance income/(expense)		**192,073**	(340,769)
Profit/(loss) before income tax		**(1,432,950)**	1,305,369
Income tax expense		**-**	-
Profit/(loss) for the period attributable to owners of the Company		**(1,432,950)**	1,305,369
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		**-**	(658,452)
Net change in fair value of available-for-sale financial assets transferred to profit or loss		**-**	658,452
Income tax on other comprehensive income		**-**	-
Other comprehensive income for the period, net of income tax		**-**	-
Total comprehensive income for the period attributable to owners of the Company		**(1,432,950)**	1,305,369
Earnings per share:		**Cents**	Cents
Basic earnings/(loss) per share		**(0.50)**	0.46
Diluted earnings/(loss) per share		**(0.50)**	0.46

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

GLENGARRY RESOURCES LIMITED

Condensed Consolidated Statement of Financial Position
As at 31 December 2009

	Note	**31 December 2009 $**	30 June 2009 $
Current assets			
Cash and cash equivalents		**8,672,561**	9,673,582
Other receivables and prepayments		**56,387**	86,229
Total current assets		**8,728,948**	9,759,811
Non-current assets			
Plant and equipment		**15,862**	38,348
Total non-current assets		**15,862**	38,348
Total assets		**8,744,810**	9,798,159
Current liabilities			
Trade and other payables		**389,586**	257,697
Employee benefits		**20,386**	14,798
Total current liabilities		**409,972**	272,495
Total liabilities		**409,972**	272,495
Net assets		**8,334,838**	9,525,664
Equity			
Issued capital		**15,544,255**	15,544,255
Reserves	7	**440,215**	351,380
Accumulated losses		**(7,649,632)**	(6,369,971)
Total equity		**8,334,838**	9,525,664

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2009

	Issued capital	Share-based payments reserve	Available-for-sale-investments revaluation reserve	Accumulated losses	Total equity
Balance at 1 July 2008	**15,544,255**	**296,595**	**-**	**(5,104,102)**	**10,736,748**
Profit or loss for the period	-	-	-	1,305,369	1,305,369
Other comprehensive income					
Net change in fair value of available-for-sale financial assets, net of tax	-	-	(658,452)	-	(658,452)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	-	-	658,452	-	658,452
Total comprehensive income for the period	-	-	-	1,305,369	1,305,369
Transactions with owners, recorded directly in equity					
Share-based payment transactions	-	63,227	-	-	63,227
Total transactions with owners	-	63,227	-	-	63,227
Balance at 31 December 2008	**15,544,255**	**359,822**	**-**	**(3,798,733)**	**12,105,344**
Balance at 1 July 2009	**15,544,255**	**351,380**	**-**	**(6,369,971)**	**9,525,664**
Profit or loss for the period	-	-	-	(1,432,950)	(1,432,950)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(1,432,950)	(1,432,950)
Transactions with owners, recorded directly in equity					
Share-based payment transactions	-	242,124	-	-	242,124
Transfer of reserves to accumulated losses	-	(153,289)	-	153,289	-
Total transactions with owners	-	88,835	-	153,289	242,124
Balance at 31 December 2009	**15,544,255**	**440,215**	**-**	**(7,649,632)**	**8,334,838**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

GLENGARRY RESOURCES LIMITED

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2009

	31 December 2009 $	31 December 2008 $
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	**(596,254)**	(672,136)
Interest received	**200,240**	231,127
Net cash used in operating activities	**(396,014)**	(441,009)
Cash flows from investing activities		
Payments for plant & equipment	**-**	(5,322)
Refunds (payments) for security deposits	**7,400**	7,500
Exploration and project generation expenditure	**(626,726)**	(1,115,495)
Proceeds from sale of plant & equipment	**14,319**	273
Proceeds from sale of mineral tenements	**-**	6,500,000
Net cash from/(used in) investing activities	**(605,007)**	5,386,956
Net increase/(decrease) in cash and cash equivalents	**(1,001,021)**	4,945,947
Cash and cash equivalents at the beginning of the half-year	**9,673,582**	5,133,912
Cash and cash equivalents at the end of the half-year	**8,672,561**	10,079,859

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

Note 1. Reporting entity

Glengarry Resources Limited is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at 31 December 2009 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2009 is available upon request from the Company's registered office or at www.glengarry.com.au.

Note 2. Statement of compliance

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

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2009.

The condensed consolidated interim financial report was approved by the Board of Directors on 12 March 2010.

Note 3. Significant accounting policies

Except as described below, the accounting policies applied by the Consolidated Entity in this condensed consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2009.

Change in accounting policy

(i) Accounting for business combinations

The Consolidated Entity has applied revised AASB 3 *Business Combinations (2008)* and AASB 127 *Consolidated and Separate Financial Statements (2008)* which became effective as at 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy was applied prospectively and had no impact on earnings per share.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Consolidated Entity takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Consolidated Entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Consolidated Entity to the previous owners of the acquiree, and equity interests issued by the Consolidated Entity. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Consolidated Entity and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Note 3. Significant accounting policies (continued)

Change in accounting policy (continued)

Transaction costs that the Consolidated Entity incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

(ii) Determination and presentation of operating segments
The Consolidated Entity has applied AASB 8 *Operating Segments* which became effective as at 1 July 2009. AASB 8 introduces the "management approach" to segment reporting and requires a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Managing Director. Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8.

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, the Managing Director, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

(iii) Presentation of financial statements
The Consolidated Entity has applied revised AASB 101 *Presentation of Financial Statements (2007)* which became effective as at 1 July 2009. As a result, the Consolidated Entity presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six month period ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Note 4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of those assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated annual financial report as at and for the year ended 30 June 2009.

Note 5. Segment information

The Consolidated Entity operates predominantly in one industry. Its principal activity is mineral exploration. The Consolidated Entity operates predominantly in Australia.

Note 6. Other Income

	31 December 2009 $	31 December 2008 $
Net foreign exchange gain	-	597
Net gain on disposal of mineral tenements	-	3,183,232
Net gain on disposal of plant and equipment	-	273
	-	3,184,102

Note 7. Share based payments

During the half-year a total of 8,300,000 options were issued to directors and employees with various vesting dates. The options were issued with exercise prices ranging from $0.05 per option to $0.12 per option. The options expire within 5 years. The fair value of the options range from $0.0420 to $0.0503 per option. The basis of measuring fair value is consistent with that disclosed in the consolidated annual financial report as at and for the year ended 30 June 2009.

The terms and conditions of the options granted during the half-year ended 31 December 2009 are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date (1)	Vesting date
17 July 2009	17 July 2014	$0.050	$0.0503	Vested
17 July 2009	17 July 2014	$0.075	$0.0467	Vested
17 July 2009	17 July 2014	$0.075	$0.0467	4 May 2010
17 July 2009	17 July 2014	$0.100	$0.0439	4 May 2011
17 July 2009	17 July 2014	$0.100	$0.0439	17 July 2010
17 July 2009	17 July 2014	$0.120	$0.0420	17 July 2011

(1) Fair value as determined using a Black-Scholes option pricing model.

Details of options over ordinary shares provided as remuneration to each director of Glengarry Resources Limited and each of the key management personnel of the Group for the half-year are set out below:

	Number of Options Granted During the Half Year		Number of Options Vested During the Half Year	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
Directors				
D M Murcia	**1,500,000**	-	**500,000**	-
D G Gordon	**4,000,000**	-	**1,000,000**	-
G T Clifford	**500,000**	1,000,000	**750,000**	250,000
K G McKay	**1,000,000**	-	**1,000,000**	250,000
Executives				
G A James	**1,000,000**	-	**250,000**	-

The assessed fair value at grant date of options granted is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term 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.

Note 7. Share based payments (continued)

The Black-Scholes model inputs for options granted during the half-year ended 31 December 2009 included:

Grant date	17 July 2009	17 July 2009	17 July 2009	17 July 2009
Expiry date	17 July 2014	17 July 2014	17 July 2014	17 July 2014
Exercise price	$0.050	$0.075	$0.100	$0.120
Consideration	Nil	Nil	Nil	Nil
Share price at grant date	$0.065	$0.065	$0.065	$0.065
Expected price volatility of the Company's shares	93%	93%	93%	93%
Expected dividend yield	Nil	Nil	Nil	Nil
Risk-free interest rate	5.10%	5.10%	5.10%	5.10%
Fair value per option at grant date	$0.0503	$0.0467	$0.0439	$0.0420

Note 8. Events occurring after reporting date

On 11 November 2009, Glengarry and Centaurus Resources Limited announced that they had reached agreement to merge. The merger created an international resource company capable of accelerating the development of Centaurus' portfolio of near-term production iron ore assets located in Brazil. The merger was effected by way of an off-market takeover bid by Glengarry for all the shares in Centaurus. The takeover offer by Glengarry was conditional, which included a 90% minimum acceptance level.

Glengarry obtained control of Centaurus on 19 January 2010, being the date that Glengarry announced that all of the conditions for the takeover offer had either been met or waived and the Share and Option Offers were declared unconditional. The consideration for the acquisition of Centaurus was eight (8) Glengarry shares for every one (1) Centaurus share on issue. A separate offer was made to Centaurus optionholders, with the consideration being equivalent Glengarry options on terms consistent with the Share Offer. Following the completion of the compulsory acquisition process, it is expected that 316,805,640 Glengarry shares and 89,639,392 Glengarry options will be issued for the takeover consideration.

As at the date of this interim financial report, Glengarry was in the process of determining the fair value of the identifiable assets acquired and liabilities assumed, measured as of the acquisition date.

Directors' Declaration

In the opinion of the directors of Glengarry Resources Limited (the "Company"):

(a) The financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:

   (i) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and

   (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 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.

Signed in accordance with a resolution of the directors.

D P Gordon
Managing Director

Perth
12 March 2010

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

We have reviewed the accompanying interim financial report of Glengarry Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies and other explanatory notes 1 to 8 and the directors' declaration of the Consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Glengarry Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review , we have complied with the Independence requirements of the Corporations Act 2001.

KPMG

Conclusion

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

(a) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

T R Hart
Partner

Perth

12 March 2010