Glengarry Resources Limited

ABN 40 009 468 099

Financial Report
30 June 2007

Glengarry Resources Limited ABN 40 009 468 099

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GLENGARRY RESOURCES LIMITED

Corporate Directory

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

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

W F Manning BA, LLB, FAICD

Secretary
G A James BBus, CA, ACIS

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

Auditor
KPMG
Chartered Accountants
Central Park
152 - 158 St Georges Terrace
Perth WA 6000

Solicitors
Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Mark Edwards
4 Kangaroo Parade
Yallingup WA 6282

Bankers
National Australia Bank
1232 Hay Street
West Perth WA 6005

Stock Exchange Listing
Glengarry Resources Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares (ASX code: GGY)

Principal Registered Office in Australia
35 Havelock Street
West Perth WA 6005
(PO Box 975, West Perth WA 6872)

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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 year ended 30 June 2007.

1. 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, unless otherwise stated:

K G McKay
D R Richards
W F Manning

D P Gordon was a director from the beginning of the financial year until his resignation on 23 July 2007.

2. Principal activities

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

3. Review of operations

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

	2007	2006
	$	$
Revenue	**90,903**	86,798
Other income	**4,696,254**	41,658
	4,787,157	128,456
Profit/(loss) before income tax expense	**3,553,405**	(1,927,436)
Income tax expense	**-**	-
Profit/(loss) attributable to members of Glengarry Resources Limited	**3,553,405**	(1,927,436)

Financial Position

During the year the Company had a net increase in contributed equity of $1,684,427 (from $9,246,778 to $10,931,205) as a result of:

- a placement of 24,000,000 ordinary shares at 4.2 cents each;
- an issue pursuant to a share purchase plan of 14,761,000 ordinary shares at 4.2 cents;
- the exercise of employee options resulting in the issue of 1,350,000 ordinary shares at prices between 10 cents and 15 cents each; and
- payment of share issue transaction costs of $103,739.

At the end of the financial year the Company had net cash balances of $1,051,150 (2006: $1,475,251) and net assets of $9,093,777 (2006: $4,164,991).

Total liabilities amounted to $279,641 (2006: $245,964) and were limited to trade and other payables and employee entitlements.

Directors' Report

3. Review of operations (continued)

Exploration

During the year Glengarry focussed its exploration effort at the Greenvale Project located in North Queensland. Significant mineralisation was intersected at the Maitland copper-molybdenum prospect and further drilling on this target will be a priority in 2007/2008. Exploration was also carried out at the Cannington and Snake Creek Projects in western Queensland and at Rum Jungle in the Northern Territory. At the Citadel Project in northwest Western Australia, a number of targets have been identified for drilling.

The Company has three projects that are subject to farm-out joint venture agreements and exploration on these properties is being managed by other companies. Glengarry sold the Charters Towers Project in North Queensland to Mantle Mining Limited. Glengarry also sold the uranium rights on the Greenvale Project to Mega Uranium Limited.

Corporate

On 26 September 2006 the Company raised a total of $1,008,000 via a placement of 24,000,000 ordinary shares at 4.2 cents each. On 11 October 2006 the Company raised a total of $624,166 via an issue of 14,861,000 ordinary shares at 4.2 cents each pursuant to a share purchase plan. During the year the Company raised a total of $156,000 via the exercise of employee options, resulting in the issue of 1,350,000 ordinary shares at prices between 10 cents and 15 cents each.

4. Significant changes in the state of affairs

Other than those matters shown above, no significant changes in the state of affairs of the consolidated entity occurred during the financial year.

5. Matters subsequent to the end of the financial year

On 3 August 2007 the Company announced that it had issued 35,000,000 ordinary shares at 12.5 cents per share to Kagara Zinc Ltd. The placement raised $4,375,000.

The Company has investments in listed companies and these are recorded in the Balance Sheet at fair value. The fair value of these investments at 30 June 2007 was $5,242,707. As at 18 September 2007 the fair value of these investments has reduced by $954,144.

No other matter or circumstance has arisen since 30 June 2007 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.

6. Likely developments and expected results of operations

Other than likely developments contained in the "Review of Operations", 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.

7. 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) 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 license 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.

Directors' Report

8. Information on directors

K G McKay, BSc (Hons), FAusIMM, MAICD *Chairman - Non-Executive Age 61*

Experience and expertise

Independent non-executive director appointed 26 August 2004. Appointed Chairman 23 November 2004. Geologist with 39 years experience in the mining industry as a senior executive, director and chairman. Former Chairman of Gindalbie Metals Limited and former Managing Director of Gallery Gold Limited and Battle Mountain (Aust.) Inc.

Other directorships

During the last three years Mr McKay held directorships in the following ASX listed companies:

Gindalbie Metals Limited (appointed October 1997, resigned May 2006)

Special responsibilities

Chairman of the Board
Member of the Remuneration Committee
Member of the Audit Committee

D R Richards, BSc (Hons), MAIG, MAICD, MSEG *Managing Director Age 46*

Experience and expertise

Managing Director appointed 1 September 2003. Geologist with 25 years experience in the mining industry as a senior executive. Former Chief Geologist, New Projects Australia of Auriongold Limited.

Other directorships

Mr Richards held no other directorships of ASX listed companies during the last three years.

Special responsibilities

Managing Director

W F Manning BA, LLB, FAICD *Non-Executive Director Age 60*

Experience and expertise

Independent non-executive director appointed 10 March 2006. Resources lawyer with over 31 years experience in Perth, Brisbane and Melbourne. He is currently Chairman of the Lung Institute of WA (Inc) (previously the Asthma Allergy Research Institute (Inc)) and a director of PSL Energy Services Australia Limited. He has previously been a director of Wiluna Mines Limited, Australian Mining & Petroleum Law Association Limited, Queensland Cement Limited and Cement Australia Limited.

Other directorships

Mr Manning held no other directorships of ASX listed companies during the last three years.

Special responsibilities

Chairman of the Remuneration Committee
Chairman of the Audit Committee

D P Gordon CA, FFin, ACIS *Former Non-Executive Director Age 35*

Experience and expertise

Independent non-executive director appointed 10 March 2006 and resigned on 23 July 2007. Mr Gordon is a Chartered Accountant with over 15 years experience in the mining sector. He is currently Chief Financial Officer of Gindalbie Metals Limited.

Other directorships

Mr Gordon held no other directorships of ASX listed companies during the last three years.

8. Information on directors (continued)

Special responsibilities
Former Chairman of the Audit Committee
Former Member of the Remuneration Committee

Company Secretary
G A James BBus, CA, ACIS

Experience and expertise
Mr James was appointed as Company Secretary on 19 March 2007. Mr James is a Chartered Accountant and a member of Chartered Secretaries Australia. He has approximately 20 years experience and was previously the Group Financial Accountant with Clough Limited.

Special responsibilities
Company Secretary
Chief Financial Officer

9. Directors' interests in shares and options

As at the date of this report the interests of the Directors in the shares and options of the Company were:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
K G McKay	-	1,419,000	-	-
D R Richards	749,000	250,000	-	2,000,000
W F Manning	250,000	-	-	-

10. 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 2007 and the number of meetings attended by each director were:

	Meetings of Directors		**Meetings of Committees**			
			Audit		**Remuneration**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
K G McKay	10	10	*	*	2	2
D R Richards	10	10	*	*	*	*
D P Gordon	10	9	2	1	2	2
W F Manning	10	10	2	2	2	2

Held – denoted the number of meetings held during the time the director held office or was a member of the committee during the year.

* - denotes that the director is not a member of the relevant committee

The Company does not have a formal Nomination Committee. This function is performed by the full Board.

11. 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
E Additional information

11. Remuneration report (continued)

The information provided under headings A to D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures.* These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by the *Corporations Act 2001* and the Corporations Regulations 2001 which have not been audited.

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

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 linked 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.

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 obtained 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' fees

Non-executive directors' remuneration consists of set fee amounts and statutory superannuation. The current base remuneration was last reviewed with effect from 22 May 2007. Directors do not receive additional 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 $300,000.

11. Remuneration report (continued)

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.

- *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, professional memberships, motor vehicle allowances, reasonable entertainment allowances and other benefits as agreed between the executive and the Board of Directors.

- *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 in Note 27 on pages 50 to 51.

B Details of remuneration (audited)

Details of the remuneration of the directors and the key management personnel of Glengarry Resources Limited for the parent and the consolidated entity are set out in the following tables.

Directors' Report

11. Remuneration report (continued)

2007	Short-term benefits	Post-employment benefits	Share-based payments	
Name	Cash salary and fees $	Superannuation $	Options $	Total $
Directors of Glengarry Resources Limited				
K G McKay (1)	87,881	34,863	-	122,744
D R Richards (2)	208,057	41,943	17,800	267,800
D P Gordon	45,872	4,128	-	50,000
W F Manning	45,872	4,128	-	50,000
Other key management personnel				
K M Seymour (3)	162,312	12,688	8,900	183,900
G A James (4)	42,342	3,811	11,000	57,153
D J Kelly (5)	19,369	-	7,120	26,489
J P Burns (5)	30,618	-	5,340	35,958
Total	**642,323**	**101,561**	**50,160**	**794,044**

(1) K G McKay – remuneration includes $47,744 for specific consulting services provided.

(2) D R Richards - remuneration for the year does not include the value of the unvested portion of share based payments of $33,200.

(3) K M Seymour - remuneration for the year does not include the value of the unvested portion of share based payments of $16,600.

(4) G A James was appointed as Company Secretary/Chief Financial Officer on 19 March 2007. Remuneration for the year does not include the value of the unvested portion of share based payments of $29,250.

(5) Mosman Management Pty Ltd is the company providing the services of Mr Kelly (Joint Company Secretary and Chief Financial Officer) and Ms Burns (Joint Company Secretary and Company Accountant). Mr Kelly and Ms Burns resigned on 31 March 2007. Mosman Management pays the salaries of Mr Kelly and Ms Burns.

2006	Short-term benefits	Post-employment benefits	Share-based payments	
Name	Cash salary and fees $	Superannuation $	Options $	Total $
Directors of Glengarry Resources Limited				
K G McKay	57,463	5,172	-	62,635
D R Richards (1)	149,800	14,803	19,100	183,703
D P Gordon (2)	14,233	1,281	-	15,514
W F Manning (3)	14,233	1,281	-	15,514
A T Harris (4)	73,902	1,942	-	75,844
I J Gordon (5)	12,949	1,165		14,114
Other key management personnel				
K M Seymour (6)	123,836	11,145	9,550	144,531
D J Kelly (7)	4,000	-	7,640	11,640
J P Burns (7)	13,467	-	5,730	19,197
Total	**463,883**	**36,789**	**42,020**	**542,692**

(1) D R Richards - remuneration for the year does not include the value of the unvested portion of share based payments of $51,000.

(2) D P Gordon was appointed as a director on 10 March 2006.

(3) W F Manning was appointed as a director on 10 March 2006.

(4) A T Harris resigned as a director on 10 March 2006.

(5) I J Gordon resigned as a director on 28 November 2005.

(6) K M Seymour - remuneration for the year does not include the value of the unvested portion of share based payments of $25,500.

(7) Mosman Management Pty Ltd is the company providing the services of Mr Kelly (Joint Company Secretary and Chief Financial Officer) and Ms Burns (Joint Company Secretary and Company Accountant). Mr Kelly and Ms Burns were appointed on 10 March 2006. Mosman Management pays the salaries of Mr Kelly and Ms Burns. Remuneration for the year does not include the value of the unvested portion of share based payments of $35,700 (Kelly - $20,400, Burns - $15,300).

11. Remuneration report (continued)

C Service Agreements (audited)

Remuneration and other terms of employment for the Managing Director, Exploration Manager and Company Secretary/Chief Financial Officer are formalised in service agreements.

The agreements for the Managing Director, Exploration Manager and Company Secretary/Chief Financial Officer 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 - no set term, notice period of six months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $250,000, to be reviewed annually. Mr Richards' remuneration was reviewed and increased to $265,000 effective 1 July 2007. Provision of four weeks annual leave.

K M Seymour, *Exploration Manager*

- Term of agreement - no set term, notice period of three months
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $175,000, to be reviewed annually. Mr Seymour's remuneration was reviewed and increased to $187,250 effective 1 July 2007. Provision of four weeks annual leave.

G A James, *Company Secretary/Chief Financial Officer*

- Term of agreement – no set term, notice period of three months
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $160,000, to be reviewed annually. Mr James' remuneration was reviewed and increased to $168,000 effective 1 July 2007. Provision of four weeks annual leave.

D Share-based compensation (audited)

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 and are granted for a period of up to 5 years.

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 (1)	Vesting date
10 April 2006	10 April 2011	13.0 cents	$0.0356	10 April 2007
10 April 2006	10 April 2011	15.0 cents	$0.0332	10 April 2008
19 March 2007	19 March 2012	10.0 cents	$0.0440	Vested
19 March 2007	19 March 2012	11.5 cents	$0.0410	19 March 2008
19 March 2007	19 March 2012	13.5 cents	$0.0380	19 March 2009

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

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 125% of the market price on the date upon which the directors first resolved to grant the options.

11. Remuneration report (continued)

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 are set out below.

	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2007	2006	**2007**	2006
Directors of Glengarry Resources Limited				
K G McKay	**-**	-	**-**	-
D R Richards	**-**	2,000,000	**500,000**	500,000
D P Gordon	**-**	-	**-**	-
W F Manning	**-**	-	**-**	-
Other key management personnel				
K M Seymour	**-**	1,000,000	**250,000**	250,000
G A James	**1,000,000**	-	**250,000**	-
D J Kelly	**-**	800,000	**-**	200,000
J P Burns	**-**	600,000	**-**	150,000

The assessed fair value at grant date of options granted 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 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 Black-Scholes model inputs for options granted during the year ended 30 June 2007 included:

Grant date	19 March 2007	19 March 2007	19 March 2007
Expiry date	19 March 2012	19 March 2012	19 March 2012
Quantity	250,000	250,000	500,000
Exercise price	$0.100	$0.115	$0.135
Consideration	Nil	Nil	Nil
Share price at grant date	$0.08	$0.08	$0.08
Expected price volatility of the Company's shares	65%	65%	65%
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	6%	6%	6%

E Additional information (unaudited)

Given Glengarry Resources Limited is involved in mineral exploration and Company performance is measured by exploration success, the remuneration of the persons referred to above is not dependent on the satisfaction of individual performance conditions other than share price appreciation.

11. Remuneration report (continued)

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	11.4%	-	(5,000)	-	(5,000)
K M Seymour	8.3%	-	22,500	-	22,500
G A James	29.0%	40,250	22,500	-	62,750
D J Kelly	-%	-	16,000	-	16,000
J P Burns	-%	-	10,500	-	10,500

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year. No options were expensed during 2007 for D J Kelly and J P Burns as no options vested.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* 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, being the intrinsic value of the options at that date, representing the difference between the Company's share price and the exercise price of the options.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.

12. Loans to directors and executives

There are no loans to directors or executives.

13. 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
G A James, *Company Secretary/Chief Financial Officer*	19 March 2007	1,000,000

14. 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
10 April 2006	10 April 2011	11.0 cents	600,000
10 April 2006	10 April 2011	13.0 cents	750,000
10 April 2006	10 April 2011	15.0 cents	1,500,000
19 March 2007	19 March 2012	9.0 cents	125,000
19 March 2007	19 March 2012	10.5 cents	125,000
19 March 2007	19 March 2012	11.5 cents	250,000
19 March 2007	19 March 2012	12.5 cents	250,000
19 March 2007	19 March 2012	13.5 cents	500,000
			4,100,000

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

Directors' Report

15. Shares issued on the exercise of options

The following ordinary shares of Glengarry Resources Limited were issued during the year ended 30 June 2007 on the exercise of options granted under the Glengarry Resources Limited Employee Share Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options originally granted	Issue price	Number of shares issued
11 February 2005	15 cents	250,000
10 April 2006	11 cents	850,000
19 March 2007	10 cents	250,000

16. Insurance of officers

During the financial year, Glengarry Resources Limited paid a premium of $25,530 to insure the directors, executive officers and secretary 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.

17. 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*.

18. 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 for 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 non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The auditor received or is due to receive the following amounts for provision of non-audit services:

	$
KPMG Australian firm:	
Taxation services	**11,322**

19. 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 16.

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

D R Richards
Managing Director
Perth, Western Australia

25 September 2007

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

To: the directors of Glengarry Resources Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

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

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

KPMG

KPMG

T R HART
Partner

Perth
25 September 2007

Corporate Governance Statement

Glengarry Resources Limited (the "Company") and its Board are committed to achieving and demonstrating high standards of corporate governance. This statement sets out the main corporate governance practices of the Company during the financial year, providing disclosure in accordance with the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by the ASX Corporate Governance Council. Disclosure is made at the end of this statement of non-compliance with the recommendations.

Further details of the various charters, policies, codes and procedures that document the Company's corporate governance practices are set out in the Company's website at www.glengarry.com.au.

The Board of Directors and Management

The relationship between the Board and senior management is critical to the Company'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 Company as a whole. Their focus is to enhance the interests of shareholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

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's website at www.glengarry.com.au. The charter details the Board's composition and responsibilities.

Board Members

Details of the members of the Board, their skills, experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report under the heading "Information on directors". There are two independent non-executive directors and one executive director at the date of signing the Directors' Report.

Directors' Independence

The Board has adopted specific principles in relation to directors' independence and these are set out in its charter. The names of the directors considered to be independent are set out in the Directors' Report.

The principles adopted by the Board employ the concept of materiality. Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or 5% of the individual director's 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.

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.

Responsibilities of Management

The Board charter sets out the responsibilities of management and details are available on the Company's website.

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.

The Board of Directors and Management (continued)

Performance Assessment

During the year the Board undertook a self assessment of its collective performance, the performance of the Chairman and of its Committees. The self assessment involved a questionnaire process that reviewed performance effectiveness attributes. The Chairman assessed the performance of individual directors and met privately with each director to discuss this assessment.

Remuneration Committee

The Remuneration Committee operates in accordance with its charter which is available on the Company's website. The Committee shall consist of at least two non-executive directors with relevant expertise and experience in the industries in which the Company operates. The 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.

Each member of the senior executive team signs an 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 the Remuneration Report.

Executive remuneration and other terms of employment is reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are eligible to participate in the Employee Incentive Scheme which provides for issue of shares and options in the Company.

Details of the qualifications of directors of the Remuneration Committee and their attendance at Committee meetings are set out in the Directors' Report.

Audit Committee

The Audit Committee operates in accordance with its charter which is available on the Company's website. The Committee shall consist of at least two non-executive directors with appropriate financial expertise and working knowledge of the industries in which the Company operates.

The responsibilities of the Committee include the review, assessment and approval of the annual report, the half-year financial report and all other financial information published by the Company or released to the market. The Committee assists the Board in reviewing the effectiveness of the organisation's internal control environment covering the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Committee oversees the effective operation of the risk management framework.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year. The Managing Director and Chief Financial Officer are required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's and Group's financial condition, operational results and are in accordance with relevant accounting standards.

Details of the qualifications of directors of the Audit Committee and their attendance at Committee meetings are set out in the Directors' Report.

Corporate Governance Statement

External Auditors Policy

The Company 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. KPMG were appointed as the external auditor on 28 November 2006. It is KPMG's policy to rotate audit engagement partners on listed companies at least every five years.

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 24 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Audit Committee. The external auditor is required 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.

Nomination Committee

The Nomination Committee consists of the full Board and it operates in accordance with its charter which is available on the Company's website. The responsibilities of the Committee include the annual review of the membership and performance of the Board, reviewing candidates for vacancies and succession planning.

Risk Assessment and Management

The Board 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's website. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is a framework with clearly drawn lines of accountability and delegation of authority. Adherence to the Company's Code of Conduct (see page 20) is required at all times and the Board actively promotes a culture of quality and integrity.

The Company's risk management policy is managed by the full Board. 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, information technology security, compliance and other risk management issues. The Board reports on the key business risks. 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.

Environment, Health and Safety Management

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.

Corporate Governance Statement

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 applies 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 Company'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 the Company's securities by directors and employees is not permitted within two business days after the release to the market of market sensitive information, or when otherwise privy to information not yet released. The Chairman must be advised prior to any proposed transaction in the Company's securities by directors. Directors, officers and employees must not partake in short-term trading of the Company's securities which is defined as less than a 30 day period.

This Code and the Company's trading policy is discussed with each new employee as part of their induction training. 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.

A copy of the Code and the share 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's 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, in conjunction with the Managing Director, 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 on the same day it is released to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website prior to the presentation made. 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.

The Company seeks to provide opportunities for shareholders to participate through electronic means. All Company announcements, media briefings, details of Company meetings, press releases, and financial reports are 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:

- A separate Nomination Committee has not been formed. The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.

Glengarry Resources Limited

Financial Report – 30 June 2007

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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 Directors' Report, which is not part of this Financial Report.

The financial report was authorised for issue by the directors on 25 September 2007. The Company has the power to amend and reissue the 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.glengarry.com.au.

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

Income Statements
For the year ended 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Revenue	5	**90,903**	86,798	**90,903**	86,798
Other income	6	**4,696,254**	41,658	**4,696,254**	41,658
Employee benefits expense	7	**(555,792)**	(380,695)	**(555,792)**	(380,695)
Depreciation expense	7	**(16,097)**	(7,972)	**(16,097)**	(7,972)
Exploration expense	7	**(268,643)**	(1,272,882)	**(93,350)**	(1,272,882)
Provision for non-recoverability of investment/loan to subsidiary	7	**-**	-	**(161,980)**	-
Administration expense		**(393,220)**	(394,343)	**(393,220)**	(394,343)
Profit/(loss) before income tax		**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Income tax expense	8	**-**	-	**-**	-
Profit/(loss) attributable to members of Glengarry Resources Limited	21	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)

Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic profit/(loss) per share	33	**1.49**	(1.04)
Diluted profit/(loss) per share	33	**1.49**	(1.04)

The above Income Statements should be read in conjunction with the accompanying notes.

Balance Sheets
As at 30 June 2007

	Notes	Consolidated		Parent entity	
		2007	2006	**2007**	2006
		$	$	**$**	$
Current assets					
Cash and cash equivalents	9	**1,051,150**	1,475,251	**1,051,150**	1,475,251
Trade and other receivables	10	**76,631**	78,575	**76,631**	78,575
Non-current assets classified as held for sale	11	**-**	600,000	**-**	600,000
Total current assets		**1,127,781**	2,153,826	**1,127,781**	2,153,826
Non-current assets					
Available-for-sale financial assets	14	**5,242,707**	-	**5,242,707**	-
Plant and equipment	15	**56,230**	44,791	**56,230**	44,791
Exploration and evaluation	16	**2,946,700**	2,212,338	**2,946,700**	2,212,338
Total non-current assets		**8,245,637**	2,257,129	**8,245,637**	2,257,129
Total assets		**9,373,418**	4,410,955	**9,373,418**	4,410,955
Current liabilities					
Trade and other payables	17	**231,954**	220,960	**218,641**	220,960
Provisions	18	**47,687**	25,004	**47,687**	25,004
Total current liabilities		**279,641**	245,964	**266,328**	245,964
Total liabilities		**279,641**	245,964	**266,328**	245,964
Net assets		**9,093,777**	4,164,991	**9,107,090**	4,164,991
Equity					
Issued capital	19	**10,931,205**	9,246,778	**10,931,205**	9,246,778
Reserves	20	**(238,956)**	70,090	**(238,956)**	70,090
Accumulated losses	21	**(1,598,472)**	(5,151,877)	**(1,585,159)**	(5,151,877)
Total equity	22	**9,093,777**	4,164,991	**9,107,090**	4,164,991

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Recognised Income and Expense

For the year ended 30 June 2007

		Consolidated		Parent entity	
	Notes	**2007**	2006	**2007**	2006
		$	$	**$**	$
Changes in the fair value of available-for-sale financial assets, net of tax	20	**(379,972)**	-	**(379,972)**	-
Net expense recognised directly in equity		**(379,972)**	-	**(379,972)**	-
Profit/(loss) for the year		**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Total recognised income and expense for the year		**3,173,433**	(1,927,436)	**3,186,746**	(1,927,436)

The above Statements of Recognised Income and Expense should be read in conjunction with the accompanying notes.

Cash Flow Statements
For the year ended 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		**(791,697)**	(736,181)	**(791,697)**	(736,181)
Interest received		**89,317**	80,574	**89,317**	80,574
Net cash outflow from operating activities	32	**(702,380)**	(655,607)	**(702,380)**	(655,607)
Cash flows from investing activities					
Payments for plant and equipment		**(48,437)**	(6,014)	**(48,437)**	(6,014)
Refunds (payments) for security deposits		**(1,500)**	13,500	**(1,500)**	13,500
Exploration and evaluation expenditure		**(1,371,292)**	(1,301,777)	**(1,209,312)**	(1,301,777)
Proceeds from sale of plant and equipment		**909**	-	**909**	-
Proceeds from sale of available-for-sale financial assets		**24,172**	63,229	**24,172**	63,229
Payments for available-for-sale financial assets		**(10,000)**	-	**(10,000)**	-
Loans to subsidiary		**-**	-	**(161,980)**	-
Net cash outflow from investing activities		**(1,406,148)**	(1,231,062)	**(1,406,148)**	(1,231,062)
Cash flows from financing activities					
Proceeds from issues of shares	19(b)	**1,788,166**	2,317,304	**1,788,166**	2,317,304
Transaction costs	19(b)	**(103,739)**	(141,672)	**(103,739)**	(141,672)
Net cash inflow from financing activities		**1,684,427**	2,175,632	**1,684,427**	2,175,632
Net increase (decrease) in cash and cash equivalents		**(424,101)**	288,963	**(424,101)**	288,963
Cash and cash equivalents at the beginning of the financial year		**1,475,251**	1,186,288	**1,475,251**	1,186,288
Cash and cash equivalents at the end of the financial year	9	**1,051,150**	1,475,251	**1,051,150**	1,475,251

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the year ended 30 June 2007

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Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies

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 years presented, unless otherwise stated. The financial report contains separate financial statements for Glengarry Resources Limited ("Parent" or "Company") and the consolidated entity consisting of Glengarry Resources Limited and its subsidiaries.

(a) Basis of preparation of the financial report

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

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Glengarry Resources Limited comply with International Financial Reporting Standards (IFRS).

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, financial assets and liabilities (including derivative instruments) at fair value.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(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 30 June 2007 and the results of all subsidiaries for the 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(g)).

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

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) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) 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. Interest revenue is recognised using the effective interest method.

(e) 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.

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.

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

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(e) Income tax (continued)

The head entity, Glengarry Resources Limited, and the controlled entities in the tax consolidated group continue to account for their own deferred tax amounts. These tax amounts are measured as if each entity in the Group continued to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Glengarry Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 8.

Any difference between amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(f) 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.

(g) 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
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(h) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(i) 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

Note 1. Summary of Significant Accounting Policies (continued)

(i) Cash and cash equivalents (continued)

value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) 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.

(k) 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.

(l) Investments and other financial assets

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

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(l) Investments and other financial assets (continued)

(i) Financial assets at fair value through profit or loss (continued)
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. Financial assets at fair value through profit and loss are subsequently carried at fair value. 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.

(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. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(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.

(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.

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

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(l) Investments and other financial assets (continued)

(iv) Available-for-sale financial assets (continued)

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.

(m) 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.

(n) 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(h)).

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

(o) 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. Trade and other payables are measured at fair value.

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. 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.

(q) 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.

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.

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.

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(iv) Share-based payments (continued)
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 Incentive Scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(r) Issued capital

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.

(s) 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 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.

(t) Exploration and evaluation expenditure

Exploration and evaluation costs, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

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

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(t) Exploration and evaluation expenditure (continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flow.

(v) Jointly controlled operations and assets

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(w) New accounting standards and interpretations

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

(i) AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in ASSB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

(ii) AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117Leases, AASB 133 Earnings per share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life insurance Contracts arising from the release of AASB 7.

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(w) New accounting standards and interpretations (continued)

AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2008 and is expected to only impact disclosures contained within the consolidated financial report.

(iii) AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and Group as the standard is only concerned with disclosures.

(iv) AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 operating Segments. This standard is only expected to impact disclosures contained within the financial report.

(v) Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or financial asset carried at cost. Interpretation 10 will become mandatory for the Group’s 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e. 1 July 2004 and 1 July 2005 respectively). The potential effect on the Interpretation on the Company’s financial report has not yet been determined.

(vi) Interpretation 11 AASB 2 Share-based Payment – Group and Treasury Share Transactions addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving its services. Interpretation 11 is not expected to have any impact on the financial report. The potential effect on the Interpretation on the Company’s financial report has not yet been determined.

(vii) AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 Share-based Payments to insert the transitional provisions of IFRS 2, previously contained in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report. The potential impact on the Company has not yet been determined.

(viii) Interpretation 12 Service Concession Arrangements addresses the accounting for service concession operators, but not grantors, for public to private service concession arrangements. Interpretation 12 will apply for the Group’s 2009 financial report. The potential effect of the interpretation on the financial report has not yet been determined. At this time an entity must adopt the revised Interpretation 4 Determining when an arrangement contains a lease and Interpretation 129 Service Concession Arrangements: Disclosures.

Notes to the Financial Statements
For the year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(w) New accounting standards and interpretations (continued)

(ix) AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosure for Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.

(x) AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

(xi) The AASB has released AASB 2007-4: Amendments to Australian Accounting Standards Arising From ED151 and Other Amendments, with the purpose, that in principle all options that currently exist under IFRS should be included in the Australian equivalents to IFRS and additional Australian disclosures should be eliminated, other than those particularly relevant in the Australian reporting environment. The amending standard removes many, but not all of the differences between IFRS and current AIFRS.

Note 2. Financial instruments risk

(i) Financial instruments risk
Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

(ii) Credit risk
The Company is not exposed to significant concentrations of credit risk. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iii) Interest rate risk
The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

Note 3. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have had the most significant effect on the amount recognised in the financial statements are discussed below.

- *Exploration and evaluation expenditure*

  The Company has carrying balances for exploration and evaluation. Each year the Company assesses whether these balances have suffered any impairment, in accordance with the accounting policy stated in Note 1(h).

Notes to the Financial Statements
For the year ended 30 June 2007

Note 4. Segment information

(a) Business segments

The Consolidated Entity operates predominantly in one industry. Its principal activities are those of prospecting and mineral exploration.

(b) Geographical segments

The Consolidated Entity operates predominantly in Australia.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Note 5. Revenue				
Other revenue				
Interest received	**87,243**	80,932	**87,243**	80,932
Tenement cost recoveries	**3,660**	5,866	**3,660**	5,866
	90,903	86,798	**90,903**	86,798
Note 6. Other income				
Other income				
Net gain on disposal of mineral tenements	**4,674,339**	-	**4,674,339**	-
Net gain on disposal of plant and equipment	**909**	-	**909**	-
Net gain on sale of available-for-sale financial assets	**21,006**	41,658	**21,006**	41,658
	4,696,254	41,658	**4,696,254**	41,658
Note 7. Expenses				
Profit/(loss) before income tax includes the following specific expenses				
Net foreign exchange losses	**670**	-	**670**	-
Depreciation				
Plant and equipment	**16,097**	7,972	**16,097**	7,972
Exploration and evaluation expenditure written off	**268,643**	1,272,882	**93,350**	1,272,882
Provision for non-recoverability of investment/loan to subsidiary	**-**	-	**161,980**	-
Rental expense relating to operating leases	**42,506**	36,220	**42,506**	36,220
Employee benefits expense				
Salaries, fees and other benefits	**695,121**	497,591	**695,121**	497,591
Superannuation	**113,490**	43,244	**113,490**	43,244
Share-based payments	**70,926**	61,205	**70,926**	61,205
Amount capitalised	**(323,745)**	(221,345)	**(323,745)**	(221,345)
Net employee benefits expense	**555,792**	380,695	**555,792**	380,695

Note 8. Income Tax

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Tax at the Australian tax rate of 30%	**1,066,022**	(578,230)	**1,070,015**	(578,230)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Exploration expenditure	**52,588**	-	**-**	-
Share-based payments	**21,278**	18,361	**21,278**	18,361
Provision for non-recoverability of investment/loan to subsidiary	**-**	-	**48,594**	-
Sundry items	**633**	(1,669)	**633**	(1,669)
	1,140,521	(561,538)	**1,140,520**	(561,538)
Utilisation of previously unrecognised tax losses	**(1,027,470)**	-	**(1,027,469)**	-
Change in unrecognised temporary differences	**(113,051)**	-	**(113,051)**	-
Current year tax assets not recognised	**-**	561,538	**-**	561,538
Income tax expense	**-**	-	**-**	-
(b) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**16,620,807**	19,930,470	**16,551,067**	19,930,470
Potential tax benefit @ 30%	**4,986,242**	5,979,141	**4,965,320**	5,979,141
(c) Deferred tax assets not recognised relate to the following:				
Deferred tax assets				
Tax losses	**5,533,312**	6,560,781	**5,512,390**	6,560,781
Taxable temporary differences	**(760,210)**	(670,169)	**(760,210)**	(670,169)
Deductible temporary differences	**213,140**	88,529	**213,140**	88,529
Net deferred tax assets	**4,986,242**	5,979,141	**4,965,320**	5,979,141

(d) Deferred tax assets and liabilities are attributable to the following:

	Assets 2007 $	Assets 2006 $	Liabilities 2007 $	Liabilities 2006 $	Net 2007 $	Net 2006 $
Receivables	**-**	-	**-**	6,468	**-**	6,468
Available-for-sale financial assets	**(140,192)**	-	**26,200**	-	**(113,992)**	-
Exploration	**-**	-	**734,010**	663,701	**734,010**	663,701
Accrued expenses/provisions	**(19,106)**	(51,501)	**-**	-	**(19,106)**	(51,501)
Issued capital	**(53,843)**	(37,028)	**-**	-	**(53,843)**	(37,028)
Tax losses	**(547,069)**	(581,640)	**-**	-	**(547,069)**	(581,640)
Set off of tax	**760,210**	670,169	**(760,210)**	(670,169)	**-**	-
Net tax (assets)/liabilities	**-**	-	**-**	-	**-**	-

Note 8. Income tax (continued)

(e) 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 accounting policy in relation to this legislation is set out in note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Glengarry Resources Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Glengarry Resources Limited for any current tax payable assumed and are compensated by Glengarry Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Glengarry Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$

Note 9. Current assets – Cash and cash equivalents

Cash at bank and on hand	**8,769**	28,815	**8,769**	28,815
Deposits at call	**1,042,381**	348,119	**1,042,381**	348,119
Bill of exchange	**-**	1,098,317	**-**	1,098,317
	1,051,150	1,475,251	**1,051,150**	1,475,251

Deposits at call
The deposits are bearing floating interest rates between 5.85% and 6.1% (2006: 4.5% and 4.75%).

Note 10. Current assets – Trade and other receivables

Other receivables	**-**	6,590	**-**	6,590
Security deposits	**54,000**	52,500	**54,000**	52,500
Prepayments	**22,631**	19,485	**22,631**	19,485
	76,631	78,575	**76,631**	78,575

Notes to the Financial Statements
For the year ended 30 June 2007

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$

Note 11. Current assets – Non-current assets classified as held for sale

Mineral tenements	**-**	600,000	**-**	600,000

Note 12. Non-current assets – Receivables

Loan to subsidiary	-	-	**161,979**	4,935,255
Less: Provision for non-recovery	-	-	**(161,979)**	(4,935,255)
	-	-	**-**	-

Note 13. Non-current-assets – Other financial assets

Shares in subsidiaries - at cost (Note 29)	**-**	-	**1**	2,205,010
Less: Provision for non-recovery	**-**	-	**(1)**	(2,205,010)
	-	-	**-**	-

Note 14. Non-current assets - Available-for-sale financial assets

At the beginning of the year	**-**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139	**-**	21,571	**-**	21,571
Revaluation transferred to equity	**(379,972)**	13,005	**(379,972)**	13,005
Additions	**5,625,845**	-	**5,625,845**	-
Disposals (sale)	**(3,166)**	(34,576)	**(3,166)**	(34,576)
At end of year	**5,242,707**	-	**5,242,707**	-
Listed securities	**5,242,707**	-	**5,242,707**	-

Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. For further information please refer to our annual report for the year ending 30 June 2006.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$

Note 15. Non-current assets – Plant and equipment

Plant and equipment				
Plant and equipment – at cost	**175,980**	155,987	**175,980**	155,987
Less: Accumulated depreciation	**(119,750)**	(111,196)	**(119,750)**	(111,196)
	56,230	44,791	**56,230**	44,791

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.

Plant and equipment				
At the beginning of the financial year	**44,791**	18,112	**44,791**	18,112
Additions	**27,536**	35,193	**27,536**	35,193
Disposals	**-**	(542)	**-**	(542)
Depreciation expense (Note 7)	**(16,097)**	(7,972)	**(16,097)**	(7,972)
At the end of the financial year	**56,230**	44,791	**56,230**	44,791

Note 16. Non-current assets – Exploration and evaluation

Exploration and evaluation				
Exploration and evaluation	**2,946,700**	2,212,338	**2,946,700**	2,212,338

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.

Exploration and evaluation				
At the beginning of the financial year	**2,212,338**	2,619,488	**2,212,338**	2,619,488
Expenditure during the financial year	**1,253,540**	1,465,732	**1,078,247**	1,465,732
Sale of mineral tenements	**(250,535)**	-	**(250,535)**	-
Reclassified as non-current assets classified as held-for-sale	**-**	(600,000)	**-**	(600,000)
Expenditure written off	**(268,643)**	(1,272,882)	**(93,350)**	(1,272,882)
At the end of the financial year	**2,946,700**	2,212,338	**2,946,700**	2,212,338

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.

Notes to the Financial Statements
For the year ended 30 June 2007

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$

Note 17. Current liabilities – Trade and other payables

Trade and other creditors	**92,745**	219,859	**92,745**	219,859
Accrued expenses	**139,209**	1,101	**125,896**	1,101
	231,954	220,960	**218,641**	220,960

Note 18. Current liabilities - Provisions

Employee entitlements	**47,687**	25,004	**47,687**	25,004

Note 19. Issued capital

	Notes	Parent entity		Parent entity	
		2007	2006	**2007**	2006
		Shares	Shares	**$**	$
(a) Share capital					
Ordinary shares					
Fully paid		**249,177,528**	208,966,528	**10,405,242**	8,720,815
Option issue premium		**-**	-	**525,963**	525,963
	(b)	**249,177,528**	208,966,528	**10,931,205**	9,246,778

(b) Movements in ordinary share capital

Date	Details	Notes	Shares No.	Issue price $	$
1 July 2005	Balance		157,883,938		7,071,146
12 September 2005	Placement of shares		23,682,590	0.040	947,304
10 March 2006	Placement of shares		27,000,000	0.050	1,350,000
10 March 2006	Exercise of options		400,000	0.050	20,000
	Less: Transaction costs arising on placement of shares				(141,672)
1 July 2006	Balance		208,966,528		9,246,778
26 September 2006	Placement of shares	(e)(i)	24,000,000	0.042	1,008,000
11 October 2006	Share purchase plan	(e)(ii)	14,861,000	0.042	624,166
3 April 2007	Exercise of options	(e)(iii)	100,000	0.110	11,000
12 April 2007	Exercise of options	(e)(iii)	200,000	0.110	22,000
24 April 2007	Exercise of options	(e)(iii)	250,000	0.100	25,000
1 May 2007	Exercise of options	(e)(iii)	250,000	0.110	27,500
8 May 2007	Exercise of options	(e)(iii)	150,000	0.110	16,500
9 May 2007	Exercise of options	(e)(iii)	150,000	0.110	16,500
27 June 2007	Exercise of options	(e)(iii)	250,000	0.150	37,500
	Less: Transaction costs arising on placement of shares				(103,739)
30 June 2007	Balance		249,177,528		10,931,205

Notes to the Financial Statements
For the year ended 30 June 2007

Note 19. Issued capital (continued)

(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 27.

(e) Ordinary share issues

(i) On 26 September 2006 the Company placed 24,000,000 ordinary shares to institutional and sophisticated investors.

(ii) On 11 October 2006 the Company issued 14,861,000 ordinary shares pursuant to a share purchase plan.

(iii) The Company issued 1,350,000 shares as a result of the exercise of options issued under the Employee Share Option Plan.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Note 20. Reserves				
Share based payments reserve	**141,016**	70,090	**141,016**	70,090
Available-for-sale investments revaluation reserve	**(379,972)**	-	**(379,972)**	-
	(238,956)	70,090	**(238,956)**	70,090
Movements in reserves				
Share based payments reserve				
Balance at the beginning of the financial year	**70,090**	8,885	**70,090**	8,885
Option expense	**70,926**	61,205	**70,926**	61,205
Balance at the end of the financial year	**141,016**	70,090	**141,016**	70,090
Available-for-sale investments revaluation reserve				
Balance at the beginning of the financial year	**-**	-	**-**	-
Revaluation	**(379,972)**	13,005	**(379,972)**	13,005
Transfer to net profit	**-**	(13,005)	**-**	(13,005)
Balance at the end of the financial year	**(379,972)**	-	**(379,972)**	-

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

Available-for-sale investments revaluation reserve

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve as described above. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Notes to the Financial Statements
For the year ended 30 June 2007

Note 21. Accumulated losses

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Accumulated losses at the beginning of the financial year	**(5,151,877)**	(3,224,441)	**(5,151,877)**	(3,224,441)
Net profit/(loss) attributable to members of Glengarry Resources Limited	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Accumulated losses at the end of the financial year	**(1,598,472)**	(5,151,877)	**(1,585,159)**	(5,151,877)

Note 22. Equity

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Total equity at the beginning of the financial year	**4,164,991**	3,855,590	**4,164,991**	3,855,590
Profit/(loss) for the year	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Increase/(decrease) in reserves	**(309,046)**	61,205	**(309,046)**	61,05
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	**1,684,427**	2,175,632	**1,684,427**	2,175,632
Total equity at the end of the financial year	**9,093,777**	4,164,991	**9,107,090**	4,164,991

Note 23. Key management personnel disclosures

(a) Directors

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

Chairman - non-executive
K G McKay

Executive directors
D R Richards, Managing Director

Non-executive directors
W F Manning
D P Gordon (resigned effective 23 July 2007)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year:

Name	Position	Employer
K M Seymour	Exploration Manager	Glengarry Resources Limited
G A James	Company Secretary/Chief Financial Officer (from 19 March 2007)	Glengarry Resources Limited
D J Kelly	Joint Company Secretary/Chief Financial Officer (note 1)	Mosman Management Pty Ltd
J P Burns	Joint Company Secretary/Company Accountant (note 1)	Mosman Management Pty Ltd

Note 1: Part year only, from 1 July 2006 to 31 March 2007.

Notes to the Financial Statements
For the year ended 30 June 2007

Note 23. Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short term employee benefits	**642,323**	463,883	**642,323**	463,883
Post-employment benefits	**101,561**	36,789	**101,561**	36,789
Share-based payments	**50,160**	42,020	**50,160**	42,020
	794,044	542,692	**794,044**	542,692

The Company has taken advantage of the relief provided by the *Corporations Regulations* and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found on pages 7 to 13.

(d) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 11 to 13.

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 other key management personnel of the consolidated entity, including their personally-related parties, are set out below.

2007 Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Glengarry Resources Limited						
K G McKay	-	-	-	-	-	-
D R Richards	2,500,000	-	(250,000)	(250,000)	2,000,000	1,000,000
D P Gordon	-	-	-	-	-	-
W F Manning	-	-	-	-	-	-
Other key management personnel of the group						
K M Seymour	2,000,000	-	(250,000)	(500,000)	1,250,000	750,000
G A James	-	1,000,000	(250,000)	-	750,000	-
D J Kelly	800,000	-	(200,000)	(600,000)	-	-
J P Burns	600,000	-	(150,000)	(450,000)	-	-

All vested options are exercisable at the end of the financial year.

2006 Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Glengarry Resources Limited						
K G McKay	-	-	-	-	-	-
D R Richards	1,500,000	2,000,000	-	(1,000,000)	2,500,000	1,000,000
D P Gordon	-	-	-	-	-	-
W F Manning	-	-	-	-	-	-
A T Harris	-	-	-	-	-	-
I J Gordon	-	-	-	-	-	-
Other key management personnel of the group						
K M Seymour	1,500,000	1,000,000	-	(500,000)	2,000,000	1,250,000
D J Kelly	-	800,000	-	-	800,000	200,000
J P Burns	-	600,000	-	-	600,000	150,000

Note 23. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel (continued)

Share holdings

The numbers of shares in the Company held during the financial year by each director of Glengarry Resources Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2007 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				
K G McKay	1,300,000	-	119,000	1,419,000
D R Richards	441,007	250,000	307,993	999,000
D P Gordon	-	-	-	-
W F Manning	-	-	250,000	250,000
Other key management personnel of the group				
K M Seymour	500,000	250,000	(131,000)	619,000
G A James	-	250,000	(150,000)	100,000
D J Kelly	-	200,000	(200,000)	-
J P Burns	-	150,000	(150,000)	-

2006 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				
K G McKay	1,300,000	-	-	1,300,000
D R Richards	300,000	-	141,007	441,007
D P Gordon	-	-	-	-
W F Manning	-	-	-	-
A T Harris (1)	15,709,434	-	(15,709,434)	-
I J Gordon (2)	125,000	-	(125,000)	-
Other key management personnel of the group				
K M Seymour	500,000	-	-	500,000
D J Kelly	-	-	-	-
J P Burns	-	-	-	-

(1) A T Harris retired as a director on 10 March 2006.

(2) I J Gordon resigned as director on 28 November 2005.

(e) Loans to key management personnel

There are no loans made to directors or other key management personnel of Glengarry Resources Limited or the consolidated entity.

(f) Other transactions with key management personnel

Directors of Glengarry Resources Limited

Mr W F Manning is a consultant with Sceales & Company, Barristers and Solicitors. During the 2007 financial year $4,149 was paid to Sceales & Company for legal consulting services which were provided on normal commercial terms and conditions.

Other key management personnel

The former Joint Company Secretary, Mr D J Kelly is a director and shareholder of Mosman Management Pty Ltd. During the 2007 financial year $49,987 (2006 $17,467) was paid to Mosman Management Pty Ltd for corporate and secretarial services on normal commercial terms and conditions.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$

Note 24. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**-**	25,900	**-**	25,900
KPMG Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**24,000**	-	**24,000**	-
	24,000	25,900	**24,000**	25,900
Non-audit services				
KPMG Australian firm:				
Taxation services	**11,322**	-	**11,322**	-

Note 25. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2007 in respect of:

Guarantees

Guarantees given in respect of bank security bonds amounting to $33,475 (2006 - $30,000), secured by floating charge over the assets of the parent entity and cash deposits lodged as security with the bank.

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$

Note 26. Commitments for expenditure

Capital commitments				
Commitments for minimum expenditure on mining tenements contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**1,140,447**	1,063,586	**1,140,447**	1,063,586
Later than one year but not later than 5 years	**4,060,388**	5,085,284	**4,060,388**	5,085,284
	5,200,835	6,148,870	**5,200,835**	6,148,870

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

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	**59,200**	17,948	**59,200**	17,948
Later than one year but not later than 5 years	**88,800**	-	**88,800**	-
	148,000	17,948	**148,000**	17,948

Note 27. Employee benefits

Employee benefit and related on-costs liabilities				
Included in current liabilities - provisions (Note 18)	**47,687**	25,004	**47,687**	25,004
Aggregate employee benefit and related on-costs liabilities	**47,687**	25,004	**47,687**	25,004

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.
- 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.

Note 27. Employee benefits (continued)

The exercise price of options is determined by the directors which is not less than 125% of the 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.

On 2 August 2007 the directors approved the Employee Share Option Plan ("the plan") to replace the scheme. It is the intention of the Board to seek shareholder approval of the plan at the next annual general meeting.

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired/ forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2007								
06/10/04	01/09/06	0.100	500,000	-	-	(500,000)	-	-
06/10/04	01/09/07	0.150	500,000	-	-	-	500,000	500,000
11/02/05	30/06/07	0.150	500,000	-	(250,000)	(250,000)	-	-
10/04/06	10/04/11	0.110	1,450,000	-	(850,000)	-	600,000	600,000
10/04/06	10/04/11	0.130	1,100,000	-	-	(350,000)	750,000	750,000
10/04/06	10/04/11	0.150	2,200,000	-	-	(700,000)	1,500,000	-
19/03/07	19/03/12	0.090	-	125,000	-	-	125,000	125,000
19/03/07	19/03/12	0.100	-	250,000	(250,000)	-	-	-
19/03/07	19/03/12	0.105	-	125,000	-	-	125,000	-
19/03/07	19/03/12	0.115	-	250,000	-	-	250,000	-
19/03/07	19/03/12	0.125	-	250,000	-	-	250,000	-
19/03/07	19/03/12	0.135	-	500,000	-	-	500,000	-
			6,250,000	1,500,000	(1,350,000)	(1,800,000)	4,600,000	1,975,000
Weighted average exercise price			$0.133	$0.118	$0.116	$0.132	$0.134	$0.126
Consolidated and parent entity - 2006								
08/03/04	18/02/06	0.100	500,000	-	-	(500,000)	-	-
08/03/04	08/03/06	0.050	600,000	-	(400,000)	(200,000)	-	-
06/10/04	01/09/05	0.050	500,000	-	-	(500,000)	-	-
11/02/05	30/06/06	0.100	500,000	-	-	(500,000)	-	-
06/10/04	01/09/06	0.100	500,000	-	-	-	500,000	500,000
06/10/04	01/09/07	0.150	500,000	-	-	-	500,000	500,000
11/02/05	30/06/07	0.150	500,000	-	-	-	500,000	500,000
10/04/06	10/04/11	0.110	-	1,450,000	-	-	1,450,000	1,450,000
10/04/06	10/04/11	0.130	-	1,100,000	-	-	1,100,000	-
10/04/06	10/04/11	0.150	-	2,200,000	-	-	2,200,000	-
			3,600,000	4,750,000	(400,000)	(1,700,000)	6,250,000	2,950,000
Weighted average exercise price			$0.099	$0.133	$0.050	$0.079	$0.133	$0.122

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2007 was $0.181 (2006 $0.064).

The assessed weighted average fair value at grant date of options granted during the year ended 30 June 2007 was $0.041 (2006 $0.035). 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 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 2007 include:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$

Note 27. Employee benefits (continued)

Weighted average exercise price: $0.118
Average life of the option: 5 years
Underlying share price: $0.08
Expected share price volatility (based on historic volatility): 65%
Dividend yield: nil
Risk-free interest rate: 6%

Total expenses arising from share-based payment transactions recognised as part of employee benefit expense	**70,926**	61,205	**70,926**	61,205

Note 28. Related parties

Directors and specified executives

Disclosures relating to directors and other key management personnel are set out in the Director's Report and Note 23.

Wholly-owned group

The wholly-owned group consists of Glengarry Resources Limited and its wholly-owned controlled entities. Ownership interests are set out in Note 29. Glengarry Resources Limited is the ultimate Australian parent entity of the consolidated entity. Glengarry Resources Limited is a Company limited by shares that is incorporated and domiciled in Australia.

Note 29. Investments in controlled entities

In the current period Glengarry Resources Limited is consolidating 2 subsidiaries (2006: 4). The carrying value of the subsidiaries is $nil (2006: $nil). During the year 4 subsidiaries were de-registered and 2 wholly-owned subsidiaries were incorporated.

Note 30. Interests in joint ventures

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

		Parent entity	
		2007	2006
Joint venture name:		**%**	%
*	Inningarra Joint Venture	**100**	100
**	Snake Creek Joint Venture	**-**	100
***	Lucky Creek Joint Venture	**100**	-
****	Mt Guide Joint Venture	**10**	10

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

* Newmont Tanami Pty Ltd earning 70%.
** Mount Isa Mines Limited withdrew from this joint venture during the current period.
*** Beacon Minerals Ltd earning 80%.
**** Summit Resources (Aust) Pty Ltd 90%.

Note 31. Events occurring after reporting date

On 3 August 2007 the Company announced that it had issued 35,000,000 ordinary shares at 12.5 cents per share to Kagara Zinc Ltd. The placement raised $4,375,000.

The Company has investments in listed companies and these are recorded in the Balance Sheet at fair value. The fair value of these investments at 30 June 2007 was $5,242,707. As at 18 September 2007 the fair value of these investments have reduced by $954,144.

Other than set out above, no matter or circumstance has arisen since 30 June 2007 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.

Note 32. Reconciliation of (profit)/loss from ordinary activities after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Operating (profit)/loss after income tax	**3,553,405**	(1,927,436)	**3,566,718**	(1,927,436)
Depreciation	**16,097**	7,972	**16,097**	7,972
Carrying value of non-current assets written off	**-**	179	**161,980**	179
Exploration and evaluation expenditure written off	**268,643**	1,272,882	**93,350**	1,272,882
Non-cash employee benefits expense – share based payments	**70,926**	61,205	**70,926**	61,205
Profit on sale of mineral tenements	**(4,674,339)**	-	**(4,674,339)**	-
Profit on sale of available-for-sale financial assets	**(21,006)**	(41,658)	**(21,006)**	(41,658)
Change in operating assets and liabilities				
(Increase)/decrease in other receivables	**2,535**	(18,374)	**2,535**	(18,374)
Decrease(increase) in other operating assets	**-**	13,785	**-**	13,785
(Decrease)/increase in trade creditors and provisions	**81,359**	(24,162)	**81,359**	(24,162)
Net cash used in operating activities	**(702,380)**	(655,607)	**(702,380)**	(655,607)

Notes to the Financial Statements
For the year ended 30 June 2007

Note 33. Profit/(Loss) per share

	Consolidated	
	2007	2006
	Cents	Cents
Basic profit/(loss) per share	**1.49**	(1.04)
Diluted profit/(loss) per share	**1.49**	(1.04)

	Consolidated	
	2007	2006
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic profit/(loss) per share	**238,157,331**	185,312,750
Adjustments for calculation of diluted profit/(loss) per share:		
Options	**1,100,000**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted profit/(loss) per share	**239,257,331**	185,312,750

There were a further 3,500,000 (2006: 6,250,000) potential ordinary shares (options) not considered to be dilutive.

Profits/(Losses) used in calculating losses per share

Net profit/(loss)	**3,553,405**	(1,927,436)

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes and the remuneration disclosures that are contained in sections 11A to 11D of the Remuneration Report in the Directors' Report, set out on pages 22 to 54 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 Company's and the consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; 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) The audited remuneration disclosures set out on pages 8 to 13 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures and the Corporations Regulations 2001*.

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

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

D R Richards
Managing Director

Perth
25 September 2007

KPMG

Independent auditor's report to the members of Glengarry Resources Ltd

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Glengarry Resources Ltd (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the 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 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. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Glengarry Resources Ltd is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

T R HART
Partner

Perth
25 September 2007