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 2008.

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. G T Clifford was appointed as a director on 22 August 2008.

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:

	2008 $	2007 $
Revenue – interest income	**349,015**	87,243
Other income	**12,317**	4,696,254
	361,332	4,783,497
Profit/(loss) before income tax expense	**(3,505,630)**	3,553,405
Income tax expense	**–**	–
Profit/(loss) attributable to members of Glengarry Resources Limited	**(3,505,630)**	3,553,405

Financial Position

During the year the Company had a net increase in contributed equity of $4,613,050 (from $10,931,205 to $15,544,255) as a result of:

- a placement of 35,000,000 ordinary shares at 12.5 cents each;
- an issue of 1,826,150 ordinary shares at 13.69 cents each; and
- payment of share issue transaction costs of $11,950.

At the end of the financial year the Company had net cash balances of $5,133,912 (2007: $1,051,150) and net assets of $10,736,748 (2007: $9,093,777).

Total liabilities amounted to $254,600 (2007: $279,641) and were limited to trade and other payables and employee benefits.

3. Review of operations (continued)

Exploration

During the year Glengarry focussed its exploration effort on the Maitland Copper Deposit located within the Greenvale Project in North Queensland. Resource definition drilling was completed in December 2007. Independent consultants were engaged to estimate an updated, JORC compliant resource which was then used as the basis for open pit optimisation studies. After a detailed review of the development alternatives, it was determined that a sale of the Greenvale Project was the best option to maximise economic return to Glengarry shareholders. A conditional sale agreement was entered into with Kagara Ltd in June 2008. The sale is subject to approval by Glengarry shareholders as required by the ASX Listing Rules, and this was given subsequent to the end of the financial year.

Exploration was also carried out on a number of other projects in Queensland. In North Queensland, new tenements were granted for the Percyvale and Hampstead Projects and initial fieldwork comprising mapping and rock chip and soil sampling were completed late in the year. Further work is planned on these projects once all assay results have been received and processed. During the year, the Company decided to reduce its exploration activities in western Queensland resulting in the farm out of the Snake Creek Project and the relinquishment of the Cannington Project. Elsewhere in Queensland exploration work was managed by other companies on the Lucky Creek and Mt Guide Joint Ventures.

Glengarry completed negotiations with the Native Title claimants for the Citadel Project located in the Telfer region of northwest Western Australia. Glengarry is working with the Traditional Owners to have all the tenements granted and it is expected this will be completed by October 2008. Preparations are underway to carry out Heritage Surveys over proposed drill sites before the end of the 2008 calendar year. A 10,000 metre aircore drilling program is scheduled to commence at the beginning of the 2009 field season to test targets already defined by previous exploration work.

Attempts to secure a suitable drill rig to test the Acacia North gold prospect defined previously on the Rum Jungle Project in the Northern Territory were unsuccessful. Glengarry has designed a 1,000 metre drill program to test for extensions of high grade gold mineralisation and efforts are continuing to secure a drill rig.

Corporate

The Company raised $4,375,000 from a share placement to Kagara Ltd. The Company also issued $250,000 worth of shares to Gindalbie Metals Limited. A total of 36,826,150 shares were issued increasing the Company's total issued capital to 286,003,678 shares. The funds will be used to advance exploration on targets within the Company's Australian projects.

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 9 September 2008 shareholder approval was given for the sale of the Company's Greenvale Project to Kagara Ltd for a consideration of $6.5 million cash and a royalty of $5 per tonne on all ore milled from the Greenvale tenements in excess of one million tonnes. The sale was completed on 19 September 2008.

The Company has an investment in a listed company and this is recorded in the Balance Sheet at fair value. The fair value of this investment at 30 June 2008 was $1,069,235. As at 26 September 2008 the fair value of this investment has reduced by $341,089.

No other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

5. Matters subsequent to the end of the financial year (continued)

(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.

8. Information on directors

K G McKay, BSc (Hons), FAusIMM, MAICD *Chairman – Non-Executive Age 62*

Experience and expertise

Independent non-executive director appointed 26 August 2004. Appointed Chairman 23 November 2004. Geologist with 40 years technical and corporate 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 *Managing Director Age 47*

Experience and expertise

Managing Director appointed 1 September 2003. Geologist with over 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

8. Information on directors (continued)

W F Manning, BA, LLB, FAICD *Non-Executive Director Age 61*

Experience and expertise

Independent non-executive director appointed 10 March 2006. Resources lawyer with over 30 years legal and corporate experience in Perth, Brisbane and Melbourne. He is currently Chairman of the Lung Institute of WA (Inc) (previously the Asthma Allergy Research Institute (Inc)). 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

Member of the Audit Committee

G T Clifford, B.Bus, FCPA, FCIS *Non-Executive Director Age 58*

Experience and expertise

Independent non-executive director appointed 22 August 2008. Accountant with over 30 years experience in senior accounting, finance, administration and company secretarial roles in the mining, retail and wholesale industries. Currently Vice President of the West Australian State Council of Chartered Secretaries Australia. Former non-executive director of Aztec Resources Limited and former Chairman of Sino Gas and Energy Limited. Former General Manager Administration and Company Secretary of Portman Limited.

Other directorships

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

Atlas Iron Limited (appointed 20 August 2007)

Aztec Resources Limited (appointed 25 August 2005, resigned 20 February 2007)

Fox Resources Limited (appointed 17 April 2007)

Jupiter Energy Limited (appointed 27 July 2006, resigned 8 November 2006)

RMA Energy Limited (appointed 15 February 2007)

Special responsibilities

Member of the Remuneration Committee

Chairman of the Audit Committee

Company Secretary

G A James, B.Bus, 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 over 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	–	2,419,000	–	1,000,000
D R Richards	1,000,000	250,000	–	2,000,000
W F Manning	250,000	–	–	1,000,000
G T Clifford	–	500,000	–	–

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 2008 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	12	12	2	2	2	2
D R Richards	12	12	*	*	*	*
W F Manning	12	12	2	2	2	2
D P Gordon**	–	–	–	–	–	–

Held – denotes 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

** – DP Gordon resigned as a director on 23 July 2007

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

11. Remuneration report – audited

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

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

The primary 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:

11. Remuneration report – audited (continued)

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

- 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 remuneration framework currently consists of fixed salaries and long-term incentives through participation in the Employee Share Option Plan.

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.

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 28 May 2008 and the Board decided not to increase the level of fees. 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.

Retirement allowances for non-executive directors

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

11. Remuneration report – audited (continued)

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

Long-term incentives for non-executive directors

Non-executive directors are eligible to participate in the Employee Share Option Plan to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Company. The Board considers the issue of options to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Company's cash reserves. Information on the Employee Share Option Plan is set out in Note 26 on pages 67 to 69.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits
- long-term incentives through participation in the Employee Share Option Plan 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 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 Share Option Plan*

Information on the Employee Share Option Plan is set out in Note 26 on pages 67 to 69.

B. Details of remuneration

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:

11. Remuneration report – audited (continued)

2008	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)	9,000	90,000	28,750	127,750
D R Richards	217,000	48,000	33,200	298,200
W F Manning (2)	55,046	4,954	28,750	88,750
D P Gordon	2,890	260	–	3,150
Other key management personnel				
K M Seymour	174,121	13,129	16,600	203,850
G A James (3)	154,128	13,872	10,250	178,250
Total	**612,185**	**170,215**	**117,550**	**899,950**

(1) K G McKay – remuneration includes $9,000 for specific consulting services provided. Remuneration for the year does not include the value of the unvested portion of share based payments of $79,250.

(2) W F Manning – remuneration for the year does not include the value of the unvested portion of share based payments of $79,250.

(3) G A James – remuneration for the year does not include the value of the unvested portion of share based payments of $19,000.

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**

11. Remuneration report – audited (continued)

(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 paid the salaries of Mr Kelly and Ms Burns.

C. Service Agreements

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 Share Option Plan.

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 2008 of $265,000, to be reviewed annually. Mr Richards' remuneration was reviewed and increased to $288,000 effective 1 July 2008. 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 2008 of $187,250, to be reviewed annually. Mr Seymour's remuneration was reviewed and increased to $202,000 effective 1 July 2008. 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 2008 of $168,000, to be reviewed annually. Mr James' remuneration was reviewed and increased to $180,000 effective 1 July 2008. Provision of four weeks annual leave.

D. Share-based compensation

Options are granted under the Employee Share Option Plan which was approved by shareholders at the 2007 annual general meeting. All staff are eligible to participate in the scheme (including executive and non-executive directors) unless the Board in its absolute discretion determine otherwise.

Options are granted under the scheme for no consideration and are granted for a period of up to 5 years.

11. Remuneration report – audited (continued)

D. Share-based compensation (continued)

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	15.0 cents	$0.0332	10 April 2008
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
20 November 2007	20 November 2012	20.5 cents	$0.1150	Vested
20 November 2007	20 November 2012	24.5 cents	$0.1090	20 November 2008
20 November 2007	20 November 2012	28.5 cents	$0.1040	20 November 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 Board in its absolute discretion but having regard to the market value of the Company's shares when it resolves to offer the options.

It is the intention of the Company to introduce a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases. The policy would require all directors and key management personnel to sign annual declarations of compliance with this policy throughout the period.

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	
	2008	2007	**2008**	2007
Directors of Glengarry Resources Limited				
K G McKay	**1,000,000**	–	**250,000**	–
D R Richards	**–**	–	**1,000,000**	500,000
D P Gordon	**–**	–	**–**	–
W F Manning	**1,000,000**	–	**250,000**	–
Other key management personnel				
K M Seymour	**–**	–	**500,000**	250,000
G A James	**–**	1,000,000	**250,000**	250,000

The assessed fair value at grant date of options granted is allocated equally over the period from grant date to vesting date, 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.

11. Remuneration report – audited (continued)

D. Share-based compensation (continued)

The Black-Scholes model inputs for options granted during the year ended 30 June 2008 included:

Grant date	20 November 2007	20 November 2007	20 November 2007
Expiry date	20 November 2012	20 November 2012	20 November 2012
Quantity	500,000	500,000	1,000,000
Exercise price	$0.205	$0.245	$0.285
Consideration	Nil	Nil	Nil
Share price at grant date	$0.175	$0.175	$0.175
Expected price volatility of the Company's shares	80%	80%	80%
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	6.28%	6.28%	6.28%

E. Additional information

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

Details of vesting profiles of options granted as remuneration are set out below:

Name	Year options granted	Number of options granted	Number of options vested	Vested %	Forfeited %	Financial years in which options vest
K G McKay	2008	1,000,000	250,000	25	–	2008 2009 2010
D R Richards	2006	2,000,000	2,000,000	100	–	2006 2007 2008
W F Manning	2008	1,000,000	250,000	25	–	2008 2009 2010
K M Seymour	2006	1,000,000	1,000,000	100	–	2006 2007 2008
G A James	2007	1,000,000	500,000	50	–	2007 2008 2009

11. Remuneration report – audited (continued)

E. Additional information (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 $
K G McKay	47.9%	108,000	–	–
W F Manning	68.9%	108,000	–	–
D R Richards	4.3%	–	–	–
K M Seymour	3.2%	–	–	–
G A James	9.5%	–	–	–

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payments* 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. No options were exercised during the year.

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

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 Share Option Plan 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
K G McKay, *Chairman*	20 November 2007	1,000,000
W F Manning, *Non-Executive Director*	20 November 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	11.5 cents	250,000
19 March 2007	19 March 2012	13.5 cents	500,000
20 November 2007	20 November 2012	20.5 cents	500,000
20 November 2007	20 November 2012	24.5 cents	500,000
20 November 2007	20 November 2012	28.5 cents	1,000,000
			5,600,000

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

15. Shares issued on the exercise of options

No ordinary shares of Glengarry Resources Limited were issued during the year ended 30 June 2008 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.

16. Insurance of officers

During the financial year, Glengarry Resources Limited paid a premium of $9,900 to insure the directors, executive officers and secretaries of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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.

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	**6,950**

19. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

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

D R Richards
Managing Director
Perth, Western Australia

26 September 2008

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 2008 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
26 September 2008

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. All these practices, unless otherwise stated, were in place for the entire year. 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 three 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.

The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

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. Non-executive directors and executives are eligible to participate in the Employee Share Option Plan which provides for the issue of 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 have certified 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 and operational results and are in accordance with relevant accounting standards.

Audit Committee (continued)

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

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 23 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 32) 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 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.

Senior management are responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. The Managing Director and Chief Financial Officer have certified to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. They have also certified that the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Risk Assessment and Management (continued)

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.

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 Securities 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.

Continuous Disclosure and Shareholder Communication (continued)

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 Recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departures are as follows:

- The Remuneration Committee and Audit Committee should be structured so that they have at least three members. Due to the small size of the Board, the Remuneration Committee and Audit Committee consisted of only two members during the financial year. From 22 August 2008 the Remuneration Committee and Audit Committee were expanded to three members with the appointment of Mr G T Clifford as a non-executive director of the Company.
- Non-executive directors should not receive options. Non-executive directors are eligible to participate in the Employee Share Option Plan to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Company. The Board considers the issue of options to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Company's cash reserves.
- 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.

Financial Report — 30 June 2008

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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
Mezzanine Level
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.

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 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Revenue					
Interest income		**349,015**	87,243	**349,015**	87,243
Other income	5	**12,317**	4,696,254	**12,317**	4,696,254
Employee benefits expense	6	**(705,920)**	(555,792)	**(705,920)**	(555,792)
Depreciation expense	6	**(19,664)**	(16,097)	**(19,664)**	(16,097)
Exploration expense	6	**(672,663)**	(268,643)	**(672,196)**	(93,350)
Provision for non-recoverability of investment/loan to susidiary	6	**–**	–	**(13,780)**	(161,980)
Loss on sale of available-for-sale financial assets	6	**(31,093)**	–	**(31,093)**	–
Impairment loss	6	**(1,940,269)**	–	**(1,940,269)**	–
Administration expense		**(497,353)**	(389,560)	**(497,353)**	(389,560)
Profit/(loss) before income tax		**(3,505,630)**	3,553,405	**(3,518,943)**	3,566,718
Income tax expense	7	**–**	–	**–**	–
Profit/(loss) attributable to members of Glengarry Resources Limited	20	**(3,505,630)**	3,553,405	**(3,518,943)**	3,566,718
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:		**Cents**	Cents		
Basic earnings/(loss) per share	32	**(1.24)**	1.49		
Diluted earnings/(loss) per share	32	**(1.24)**	1.49		

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

Balance Sheets

As at 30 June 2008

		Consolidated		Parent entity	
	Notes	**2008 $**	2007 $	**2008 $**	2007 $
Current assets					
Cash and cash equivalents	8	**5,133,912**	1,051,150	**5,133,912**	1,051,150
Other receivables and prepayments	9	**103,614**	76,631	**103,614**	76,631
Assets classified as held for sale	10	**3,296,169**	–	**3,296,169**	–
Total current assets		**8,533,695**	1,127,781	**8,533,695**	1,127,781
Non-current assets					
Available-for-sale financial assets	13	**1,069,235**	5,242,707	**1,069,235**	5,242,707
Plant and equipment	14	**65,207**	56,230	**65,207**	56,230
Exploration and evaluation	15	**1,323,211**	2,946,700	**1,323,211**	2,946,700
Total non-current assets		**2,457,653**	8,245,637	**2,457,653**	8,245,637
Total assets		**10,991,348**	9,373,418	**10,991,348**	9,373,418
Current liabilities					
Trade and other payables	16	**193,414**	231,954	**193,414**	218,641
Employee benefits	17	**61,186**	47,687	**61,186**	47,687
Total current liabilities		**254,600**	279,641	**254,600**	266,328
Total liabilities		**254,600**	279,641	**254,600**	266,328
Net assets		**10,736,748**	9,093,777	**10,736,748**	9,107,090
Equity					
Issued capital	18	**15,544,255**	10,931,205	**15,544,255**	10,931,205
Reserves	19	**296,595**	(238,956)	**296,595**	(238,956)
Accumulated losses	20	**(5,104,102)**	(1,598,472)	**(5,104,102)**	(1,585,159)
Total equity	21	**10,736,748**	9,093,777	**10,736,748**	9,107,090

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 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Net change in fair value of available-for-sale financial assets	19	**(1,711,807)**	(379,972)	**(1,711,807)**	(379,972)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	19	**1,940,269**	–	**1,940,269**	–
Income and expense recognised directly in equity		**228,462**	(379,972)	**228,462**	(379,972)
Profit/(loss) for the year		**(3,505,630)**	3,553,405	**(3,518,943)**	3,566,718
Total recognised income and expense for the year		**(3,277,168)**	3,173,433	**(3,290,481)**	3,186,746

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 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,021,068)**	(791,697)	**(1,021,068)**	(791,697)
Interest received		**328,368**	89,317	**328,368**	89,317
Net cash used in operating activities	31	**(692,700)**	(702,380)	**(692,700)**	(702,380)
Cash flows from investing activities					
Payments for plant and equipment		**(36,556)**	(48,437)	**(36,556)**	(48,437)
Refunds (payments) for security deposits		**(14,900)**	(1,500)	**(14,900)**	(1,500)
Exploration and evaluation expenditure		**(2,118,213)**	(1,371,292)	**(2,104,433)**	(1,209,312)
Proceeds from sale of plant & equipment		**–**	909	**–**	909
Proceeds from sale of available-for-sale financial assets		**2,582,081**	24,172	**2,582,081**	24,172
Payments for available-for-sale financial assets		**–**	(10,000)	**–**	(10,000)
Loans to subsidiary		**–**	–	**(13,780)**	(161,980)
Net cash from/(used in) investing activities		**412,412**	(1,406,148)	**412,412**	(1,406,148)
Cash flows from financing activities					
Proceeds from issues of shares	18(b)	**4,375,000**	1,788,166	**4,375,000**	1,788,166
Transaction costs	18(b)	**(11,950)**	(103,739)	**(11,950)**	(103,739)
Net cash from financing activities		**4,363,050**	1,684,427	**4,363,050**	1,684,427
Net increase (decrease) in cash and cash equivalents		**4,082,762**	(424,101)	**4,082,762**	(424,101)
Cash and cash equivalents at the beginning of the financial year		**1,051,150**	1,475,251	**1,051,150**	1,475,251
Cash and cash equivalents at the end of the financial year	8	**5,133,912**	1,051,150	**5,133,912**	1,051,150

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 2008

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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 (together referred to as the "Group").

(a) Basis of preparation of the financial report

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the Board of Directors on 26 September 2008.

Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value.

Functional and presentation currency

These financial statements are presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the Group.

Critical accounting estimates

The preparation of financial statements 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 as at 30 June 2008 and the results of all subsidiaries for the year then ended.

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 deconsolidated 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)).

Transactions eliminated on consolidation

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.

Note 1. Summary of Significant Accounting Policies (continued)

(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 and to unused tax losses.

Deferred tax assets and liabilities are recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are calculated using 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.

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 7.

Note 1. Summary of Significant Accounting Policies (continued)

(e) Income tax (continued)

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.

(h) Impairment of assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Note 1. Summary of Significant Accounting Policies (continued)

(h) Impairment of assets (continued)

(i) Financial assets (continued)

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 Group'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.

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 or amortisation, if no impairment loss had been recognised.

(i) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Note 1. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of 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 impairment 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 impairment is recognised in the income statement.

Trade and other payables 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.

The Group classifies its financial assets into the following categories:

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

*Available-for-sale financial asse*ts

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer note 1(h)) are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Note 1. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(ii) 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.

(j) Non-current assets 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.

(k) Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment at 1 July 2004, the date of transition to AASBs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of 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.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

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:

Note 1. Summary of Significant Accounting Policies (continued)

(k) Plant and equipment (continued)

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)).

(l) 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.

(m) 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 Share Option Plan. The fair value of options granted under the Employee Share Option Plan 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.

Note 1. Summary of Significant Accounting Policies (continued)

(m) Employee benefits (continued)

(iv) Share-based payments (continued)

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

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

(n) Finance income and expenses

Finance income comprises interest income on funds invested, gains on disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on disposal of available-for-sale financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) 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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

(p) Exploration and evaluation expenditure (continued)

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.

(q) 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.

(r) 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.

(s) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity.

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

(i) Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

Note 1. Summary of Significant Accounting Policies (continued)

(t) New standards and interpretations not yet adopted (continued)

(ii) AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require disclosure of segment information based on the internal reports regularly reviewed by the Managing Director in order to assess each segment's performance and to allocate resources to them. Application of AASB 8 may result in different segments, segment results and different types of information reported in the segment note of the financial report.

(iii) 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.

(iv) Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

(v) 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 117 Leases, 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. 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.

(vi) Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 which becomes mandatory for the Group's 30 June 2010 financial statements, is not expected to have any effect on the financial report.

(vii) Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

(viii) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

(ix) AI 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. AI 13, which becomes mandatory for the Group's 30 June 2009 financial statements, is not expected to have any impact on the financial report.

Note 1. Summary of Significant Accounting Policies (continued)

(t) New standards and interpretations not yet adopted (continued)

(x) AI 14 IAS *19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. AI 14, which becomes mandatory for the Group's 30 June 2009 financial statements, is not expected to have any impact on the financial report.

Note 2. Financial risk management

The Group has exposure to the following risks arising from the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

The Company and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to manage those risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors is responsible for ensuring there are adequate policies in relation to financial risk management. Policies are designed to ensure risks are identified, assessed, addressed and monitored to enable achievement of the Group'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.

The financial risk management policy is managed by the full Board. The Board assesses material risks that may impede meeting business objectives. The Board is required to ensure that appropriate controls are in place to effectively manage those risks.

(a) Credit risk

Credit risk is the risk that a counterparty will not complete its obligation under a financial instrument that will result in a financial loss to the Group. Credit risk arises from cash and deposits with banks and financial institutions as well as outstanding security deposits. The Group limits exposure to credit risk by only investing cash and deposits with banks that have a credit rating of at least A1 from Standard and Poor's. Security deposits are lodged with either banks or with government agencies. Management does not expect any counterparty to fail to meet its obligations. The carrying amount of financial assets represents the maximum credit exposure. At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date was as follows:

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Cash at bank	**1,321**	6,644	**1,321**	6,644
Deposits – at call	**1,130,707**	1,042,381	**1,130,707**	1,042,381
Deposits – short term	**4,000,000**	–	**4,000,000**	–
Security deposits	**68,900**	54,000	**68,900**	54,000
	5,200,928	1,103,025	**5,200,928**	1,103,025

Note 2. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they arise. The Board continually reviews the liquidity position of the Group including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. The Group does not have any external borrowings. The contractual maturities of financial liabilities at the reporting date were as follows:

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Trade and other creditors	**79,982**	92,745	**79,982**	92,745
Accrued expenses	**113,432**	139,209	**113,432**	125,896
	193,414	231,954	**193,414**	218,641

All financial liabilities are payable in 30 days or less.

(c) Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

(i) Foreign exchange risk

Foreign exchange risk arises from holding cash in United States Dollars (USD) and holding securities listed on the Toronto Stock Exchange (Canadian Dollars – CAD). The Board conducts regular reviews of the Group's exposure and currently there are no foreign exchange programmes in place. The exposure of financial instruments to foreign exchange risk at the reporting date was as follows:

	Consolidated		Parent entity	
	2008 A$	2007 A$	**2008 A$**	2007 A$
Cash (USD)	**1,560**	1,768	**1,560**	1,768
Available-for-sale financial assets (CAD)	**1,069,235**	4,548,540	**1,069,235**	4,548,540
	1,070,795	4,550,308	**1,070,795**	4,550,308

The sensitivity of financial instruments held at balance date to a 10% strengthening of the Australian dollar is shown below. It is assumed all other variables remain constant:

	Impact on profit or loss		Impact on equity	
	Consolidated A$	Parent entity A$	Consolidated A$	Parent entity A$
30 June 2008				
USD	(156)	(156)	–	–
CAD	(106,924)	(106,924)	–	–

Note 2. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

	Impact on profit or loss		Impact on equity	
	Consolidated A$	Parent entity A$	Consolidated A$	Parent entity A$
30 June 2007				
USD	(177)	(177)	–	–
CAD	–	–	(454,854)	(454,854)

A 10% weakening of the Australian dollar against the above currencies at balance date would have had the equal but opposite effect to the amounts shown above, assuming all other variables remain constant.

(ii) Interest rate risk

Interest rate risk arises from holding financial instruments that are subject to movements in interest rates. The Group ensures that as far as possible it maintains excess cash in short term deposits at interest rates maturing over 90 day rolling periods. The Group has no borrowings and no hedging programs were in place during the year. The exposure of financial instruments to interest rate risk at the reporting date was as follows:

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Financial assets				
Cash at bank	**1,321**	6,644	**1,321**	6,644
Deposits – at call	**1,130,707**	1,042,381	**1,130,707**	1,042,381
Deposits – short term	**4,000,000**	–	**4,000,000**	–
Security deposits	**13,500**	13,500	**13,500**	13,500
	5,145,528	1,062,525	**5,145,528**	1,062,525

Cash and deposits are the only financial instruments exposed to interest rate risk. The sensitivity of financial assets held at balance date to movements in interest rates is shown below. It is assumed all other variables remain constant:

	Impact on profit or loss Consolidated		Impact on profit or loss Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Interest rates 100 basis points higher	**51,455**	10,625	**51,455**	10,625
Interest rates 100 basis points lower	**(51,455)**	(10,625)	**(51,455)**	(10,625)

Note 2. Financial risk management (continued)

(c) Market risk (continued)

(iii) Equity price risk

Equity price risk arises from movements in market prices for listed securities held by the Group (other than those arising from interest rate risk or currency risk). Investments are managed on an individual basis and material buy and sell decisions are approved by the Board. The sensitivity of financial instruments held at balance date to a 10% movement in equity prices is shown below. It is assumed all other variables remain constant:

	Impact on profit or loss		Impact on equity	
	Consolidated A$	Parent entity A$	Consolidated A$	Parent entity A$
30 June 2008				
10% increase in equity prices	106,924	106,924	–	–
10% decrease in equity prices	(106,924)	(106,924)	–	–
30 June 2007				
10% increase in equity prices	–	–	524,271	524,271
10% decrease in equity prices	–	–	(524,271)	(524,271)

(d) Fair values

The carrying amounts of financial assets and financial liabilities equals the estimated fair values. The basis for determining fair values is disclosed in note 1.

(e) Capital risk management

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Glengarry Resources Limited is a junior exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets.

The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

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).

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.

Note 5. Other income

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Net foreign exchange gain	**12,317**	–	**12,317**	–
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	**–**	21,006
	12,317	4,696,254	**12,317**	4,696,254

Note 6. Expenses

	Consolidated		Parent entity	
Profit/(loss) before income tax includes the following specific expenses	**2008 $**	2007 $	**2008 $**	2007 $
Net foreign exchange losses	**–**	670	**–**	670
Depreciation Plant and equipment	**19,664**	16,097	**19,664**	16,097
Exploration and evaluation expenditure written off	**672,663**	268,643	**672,196**	93,350
Provision for non-recoverability of investment/loan to subsidiary	**–**	–	**13,780**	161,980
Net loss on sale of available-for-sale financial assets	**31,093**	–	**31,093**	–

Note 6. Expenses (continued)

	Consolidated		Parent entity	
Profit/(loss) before income tax includes the following specific expenses	**2008 $**	2007 $	**2008 $**	2007 $
Impairment loss on available-for-sale financial assets	**1,940,269**	–	**1,940,269**	–
Rental expense relating to operating leases	**76,007**	42,506	**76,007**	42,506
Employee benefits expense				
Salaries, fees and other benefits	**795,440**	695,121	**795,440**	695,121
Superannuation	**182,896**	113,490	**182,896**	113,490
Share-based payments	**155,579**	70,926	**155,579**	70,926
Amount capitalised	**(427,995)**	(323,745)	**(427,995)**	(323,745)
Net employee benefits expense	**705,920**	555,792	**705,920**	555,792

Note 7. Income tax

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	**(3,505,630)**	3,553,405	**(3,518,943)**	3,566,718
Tax at the Australian tax rate of 30%	**(1,051,689)**	1,066,022	**(1,055,683)**	1,070,015
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Exploration expenditure (foreign projects)	**18,664**	52,588	**18,524**	–
Share-based payments	**46,674**	21,278	**46,674**	21,278
Provision for non-recoverability of investment/loan to subsidiary	**–**	–	**4,134**	48,594
Sundry items	**490**	633	**490**	633
	(985,861)	1,140,521	**(985,861)**	1,140,520
Utilisation of previously unrecognised tax losses	**–**	(1,027,470)	**–**	(1,027,469)
Under provision of prior year tax	**177,196**	–	**177,196**	–
Change in unrecognised temporary differences	**(88,950)**	(113,051)	**(88,950)**	(113,051)
Current year capital losses not recognised	**9,328**	–	**9,328**	–
Current year tax losses not recognised	**888,287**	–	**888,287**	–
Income tax expense	**–**	–	**–**	–

Note 7. Income tax (continued)

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
(b) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**21,367,478**	18,444,371	**21,297,740**	18,374,633
Unused capital losses for which no deferred tax asset has been recognised	**31,093**	–	**31,093**	–
	21,398,571	18,444,371	**21,328,833**	18,374,633
Potential tax benefit @ 30%	**6,419,571**	5,533,312	**6,398,650**	5,512,390
(c) Deferred tax asssets not recognised relate to the following:				
Deferred tax assets				
Tax losses	**6,419,571**	5,533,312	**6,398,650**	5,512,390
Taxable temporary differences	**(1,392,008)**	(760,210)	**(1,392,008)**	(760,210)
Deductible temporary differences	**641,997**	213,140	**641,997**	213,140
Net deferred tax assets	**5,669,560**	4,986,242	**5,648,639**	4,965,320

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

	Assets		Liabilities		Net	
	2008 $	2007 $	**2008 $**	2007 $	**2008 $**	2007 $
Receivables	**–**	–	**6,194**	–	**6,194**	–
Available-for-sale financial assets	**(582,081)**	(140,192)	**–**	26,200	**(582,081)**	(113,992)
Exploration	**–**	–	**1,385,814**	734,010	**1,385,814**	734,010
Accrued expenses/provisions	**(23,605)**	(19,106)	**–**	–	**(23,605)**	(19,106)
Issued capital	**(36,311)**	(53,843)	**–**	–	**(36,311)**	(53,843)
Tax losses	**(750,011)**	(547,069)	**–**	–	**(750,011)**	(547,069)
Set off of tax	**1,392,008**	760,210	**(1,392,008)**	(760,210)	**–**	–
Net tax (assets)/liabilities	**–**	–	**–**	–	**–**	–

(e) Tax consolidation legislation

Glengarry Resources Limited and its whollyowned 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 whollyowned entities in the case of a default by the head entity, Glengarry Resources Limited.

Note 7. Income tax (continued)

(e) Tax consolidation legislation (continued)

The entities have also entered into a tax funding agreement under which the whollyowned 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 whollyowned 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.

Note 8. Current assets – Cash and cash equivalentss

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Cash at bank and on hand	**3,205**	8,769	**3,205**	8,769
Deposits – at call	**1,130,707**	1,042,381	**1,130,707**	1,042,381
Deposits – short term	**4,000,000**	–	**4,000,000**	–
	5,133,912	1,051,150	**5,133,912**	1,051,150

Deposits

The deposits are bearing floating and fixed interest rates between 7.10% and 7.85% (2007: 5.85% and 6.1%).

Note 9. Current assets – Other receivables and prepayments

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Other receivables	**20,647**	–	**20,647**	–
Security deposits	**68,900**	54,000	**68,900**	54,000
Prepayments	**14,067**	22,631	**14,067**	22,631
	103,614	76,631	**103,614**	76,631

Note 10. Current assets – Assets classified as held for sale

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Mineral tenements	**3,296,169**	–	**3,296,169**	–

Note 11. Non-Current assets – Receivables

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Loan to subsidiary	**–**	–	**175,759**	161,979
Less: Provision for non-recovery	**–**	–	**(175,759)**	(161,979)
	–	–	**–**	–

Note 12. Non-Current assets – Other financial assets

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Shares in subsidiaries – at cost (Note 28)	**–**	–	**1**	1
Less: Provision for non-recovery	**–**	–	**(1)**	(1)
	–	–	**–**	–

Note 13. Non-current assets – Available-for-sale financial assets

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
At the beginning of the year	**5,242,707**	–	**5,242,707**	–
Revaluation transferred to equity	**–**	(379,972)	**–**	(379,972)
Revaluation transferred to profit or loss	**(1,711,807)**	–	**(1,711,807)**	–
Additions	**–**	5,625,845	**–**	5,625,845
Disposals (sale)	**(2,461,665)**	(3,166)	**(2,461,665)**	(3,166)
At the end of the year (listed securities)	**1,069,235**	5,242,707	**1,069,235**	5,242,707

Note 14. Non-current assets – Plant and equipment

	Consolidated		Parent entity	
Plant and equipment	**2008 $**	2007 $	**2008 $**	2007 $
Plant and equipment – at cost	**180,157**	175,980	**180,157**	175,980
Less: Accumulated depreciation	**(114,950)**	(119,750)	**(114,950)**	(119,750)
	65,207	56,230	**65,207**	56,230

Non-current assets pledged as security

Non-current assets are not pledged as security by either the parent entity or its controlled entities.

Note 14. Non-current assets – Plant and equipment (continued)

Reconciliation

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Consolidated		Parent entity	
Plant and equipment	**2008 $**	2007 $	**2008 $**	2007 $
At the beginning of the financial year	**56,230**	44,791	**56,230**	44,791
Additions	**28,641**	27,536	**28,641**	27,536
Disposals	**–**	–	**–**	–
Depreciation expense (Note 6)	**(19,664)**	(16,097)	**(19,664)**	(16,097)
At the end of the financial year	**65,207**	56,230	**65,207**	56,230

Note 15. Non-current assets – Exploration and evaluation

	Consolidated		Parent entity	
Exploration and evaluation	**2008 $**	2007 $	**2008 $**	2007 $
Exploration and evaluation	**1,323,211**	2,946,700	**1,323,211**	2,946,700

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	**2,946,700**	2,212,338	**2,946,700**	2,212,338
Expenditure during the financial year	**2,345,343**	1,253,540	**2,344,876**	1,078,247
Sale of mineral tenements	**–**	(250,535)	**–**	(250,535)
Reclassified as non-current assets held for sale	**(3,296,169)**	–	**(3,296,169)**	–
Expenditure written off	**(672,663)**	(268,643)	**(672,196)**	(93,350)
At the end of the financial year	**1,323,211**	2,946,700	**1,323,211**	2,946,700

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.

Note 16. Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Trade and other creditors	**79,982**	92,745	**79,982**	92,745
Accrued expenses	**113,432**	139,209	**113,432**	125,896
	193,414	231,954	**193,414**	218,641

Note 17. Current liabilities – Employee benefits

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Employee benefits	**61,186**	47,687	**61,186**	47,687

Note 18. Issued capital

		Parent entity		Parent entity	
(a) **Share capital**	Notes	**2008 Shares**	2007 Shares	**2008 $**	2007 $
Ordinary shares					
Fully paid		**286,003,678**	249,177,528	**15,018,292**	10,405,242
Option issue premium		**–**	–	**525,963**	525,963
	(b)	**286,003,678**	249,177,528	**15,544,255**	10,931,205

(b) **Movements in ordinary share capital**

Date	Details	Notes	Shares No.	Issue price $	$
1 July 2006	Balance		208,966,528		9,246,778
26 September 2006	Placement of shares		24,000,000	0.0420	1,008,000
11 October 2006	Share purchase plan		14,861,000	0.0420	624,166
3 April 2007	Exercise of options		100,000	0.1100	11,000
12 April 2007	Exercise of options		200,000	0.1100	22,000
24 April 2007	Exercise of options		250,000	0.1000	25,000
1 May 2007	Exercise of options		250,000	0.1100	27,500
8 May 2007	Exercise of options		150,000	0.1100	16,500
9 May 2007	Exercise of options		150,000	0.1100	16,500
27 June 2007	Exercise of options		250,000	0.1500	37,500
	Less: Transaction costs arising on placement of shares				(103,739)
1 July 2007	Balance		249,177,528		10,931,205

Note 18. Issued capital (continued)

(b) Movements in ordinary share capital (continued)

Date	Details	Notes	Shares No.	Issue price $	$
2 August 2007	Placement of shares	(e)(i)	35,000,000	0.1250	4,375,000
28 September 2007	Placement of shares	(e)(ii)	1,826,150	0.1369	250,000
	Less: Transaction costs arising on placement of shares				(11,950)
30 June 2008	Balance		286,003,678		15,544,255

(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 Share Option Plan, 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 26.

(e) Ordinary share issues

(i) On 2 August 2007 the Company issued 35,000,000 ordinary shares to Kagara Ltd.

(ii) On 28 September 2007 the Company issued 1,826,150 ordinary shares to Gindalbie Metals Limited.

Note 19. Reserves

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Share-based payments reserve	**296,595**	141,016	**296,595**	141,016
Available-for-sale investments revaluation reserve	**–**	(379,972)	**–**	(379,972)
	296,595	(238,956)	**296,595**	(238,956)
Movements in reserves				
Share-based payments reserve				
Balance at the beginning of the financial year	**141,016**	70,090	**141,016**	70,090
Option expense	**155,579**	70,926	**155,579**	70,926
Balance at the end of the financial year	**296,595**	141,016	**296,595**	141,016

Note 19. Reserves (continued)

		Consolidated		Parent entity	
	Notes	**2008 $**	2007 $	**2008 $**	2007 $
Movements in reserves (continued)					
Available-for-sale investments revaluation reserve					
Balance at the beginning of the financial year		**(379,972)**	–	**(379,972)**	–
Revaluation		**(1,711,807)**	(379,972)	**(1,711,807)**	(379,972)
Transfer to net profit or loss – sale of assets		**151,510**	–	**151,510**	–
Transfer to net profit or loss – impairment	6	**1,940,269**	–	**1,940,269**	–
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.

Note 20. Accumulated losses

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Accumulated losses at the beginning of the financial year	**(1,598,472)**	(5,151,877)	**(1,585,159)**	(5,151,877)
Net profit/(loss) attributable to members of Glengarry Resources Limited	**(3,505,630)**	3,553,405	**(3,518,943)**	3,566,718
Accumulated losses at the end of the financial year	**(5,104,102)**	(1,598,472)	**(5,104,102)**	(1,585,159)

Note 21. Equity

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Total equity at the beginning of the financial year	**9,093,777**	4,164,991	**9,107,090**	4,164,991
Profit/(loss) for the year	**(3,505,630)**	3,553,405	**(3,518,943)**	3,566,718
Increase/(decrease) in reserves	**535,551**	(309,046)	**535,551**	(309,046)

Note 21. Equity (continued)

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	**4,613,050**	1,684,427	**4,613,050**	1,684,427
Total equity at the end of the financial year	**10,736,748**	9,093,777	**10,736,748**	9,107,090

Note 22. Key management personnel disclosures

(a) Directors

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

Chairman – non-executive	Executive directors	Non-executive directors
K G McKay	D R Richards, Managing Director	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	Glengarry Resources Limited

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Short term employee benefits	**612,185**	642,323	**612,185**	642,323
Post-employment benefits	**170,215**	101,561	**170,215**	101,561
Share-based payments	**117,550**	50,160	**117,550**	50,160
	899,950	794,044	**899,950**	794,044

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 18 to 25.

(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 22 to 24.

Note 22. Key management personnel disclosures (continued)

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

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.

2008 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	–	1,000,000	–	–	1,000,000	250,000
D R Richards	2,000,000	–	–	–	2,000,000	2,000,000
D P Gordon	–	–	–	–	–	–
W F Manning	–	1,000,000	–	–	1,000,000	250,000
Other key management personnel of the group						
K M Seymour	1,250,000	–	–	(500,000)	750,000	750,000
G A James	750,000	–	–	–	750,000	250,000

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

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)	–	–

Note 22. 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.

2008 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	1,419,000	–	–	1,419,000
D R Richards	999,000	–	113,600	1,112,600
D P Gordon	–	–	–	–
W F Manning	250,000	–	–	250,000
Other key management personnel of the group				
K M Seymour	619,000	–	–	619,000
G A James	100,000	–	–	100,000

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)	–

(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.

Note 22. Key management personnel disclosures (continued)

(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 2008 financial year $2,040 (2007: $4,149) was paid to Sceales & Company for legal consulting services which were provided on normal commercial terms and conditions.

Note 23. Remuneration of auditors

	Consolidated		Parent entity	
During the year the following fees were paid or payable for services provided by the auditor of the parent entity:	**2008** **$**	2007 $	**2008** **$**	2007 $
Audit services				
KPMG Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**27,500**	24,000	**27,500**	24,000
Non-audit services				
KPMG Australian firm:				
Taxation services	**6,950**	11,322	**6,950**	11,322

Note 24. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2008 in respect of:

Guarantees

Guarantees given in respect of bank security bonds amounting to $13,475 (2007 – $33,475), secured by cash deposits lodged as security with the bank.

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

Note 25. Commitments for expenditure

	Consolidated		Parent entity	
Capital commitments	**2008** **$**	2007 $	**2008** **$**	2007 $
Commitments for minimum expenditure on mining tenements contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**1,444,044**	1,140,447	**1,444,044**	1,140,447
Later than one year but not later than 5 years	**4,249,176**	4,060,388	**4,249,176**	4,060,388
	5,693,220	5,200,835	**5,693,220**	5,200,835

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

Note 25. Commitments for expenditure (continued)

	Consolidated		Parent entity	
Lease commitments	**2008 $**	2007 $	**2008 $**	2007 $
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	**90,765**	59,200	**90,765**	59,200
Later than one year but not later than 5 years	**45,383**	88,800	**45,383**	88,800
	136,148	148,000	**136,148**	148,000

Note 26. Employee benefits

	Consolidated		Parent entity	
Employee benefit and related on-costs liabilities	**2008 $**	2007 $	**2008 $**	2007 $
Included in current liabilities – provisions (Note 17)	**61,186**	47,687	**61,186**	47,687
Aggregate employee benefit and related on-costs liabilities	**61,186**	47,687	**61,186**	47,687

There are currently no liabilities for termination benefits that are expected to be settled more than 12 months from the reporting date.

Employee Share Option Plan

The Employee Share Option Plan ("Plan") was approved by shareholders at the 2007 annual general meeting. All employees (including directors) are eligible to participate in the Plan. The Plan replaced the previous Employee Incentive Scheme ("Scheme").

Options to acquire shares are issued on the following terms under the Plan:

- The Board of Directors may determine which employees and Directors are entitled to participate in the Plan and the extent of the participation.
- The Board of Directors may offer options to any eligible person at such times and on such terms as the Board considers appropriate.
- The exercise price of the options will be determined by the Board in its absolute discretion but having regard to the market value of the Company's shares when it resolves to offer the options.
- If an Offeree as defined in the Plan ceases to be a Director or an employee after an option has become exercisable, the options may be exercised during the following 3 months or such longer period as the Board determines.
- Options are granted under the Plan for no consideration and carry no dividend or voting rights.
- When exercisable, each option is convertible into one ordinary share.

Note 26. Employee benefits (continued)

Set out below are summaries of options granted under the Plan and previous 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 – 2008								
06/10/04	01/09/07	0.150	500,000	–	–	(500,000)	–	–
10/04/06	10/04/11	0.110	600,000	–	–	–	600,000	600,000
10/04/06	10/04/11	0.130	750,000	–	–	–	750,000	750,000
10/04/06	10/04/11	0.150	1,500,000	–	–	–	1,500,000	1,500,000
19/03/07	19/03/12	0.090	125,000	–	–	(125,000)	–	–
19/03/07	19/03/12	0.105	125,000	–	–	(125,000)	–	–
19/03/07	19/03/12	0.115	250,000	–	–	–	250,000	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	–
20/11/07	20/11/12	0.205	–	500,000	–	–	500,000	500,000
20/11/07	20/11/12	0.245	–	500,000	–	–	500,000	–
20/11/07	20/11/12	0.285	–	1,000,000	–	–	1,000,000	–
			4,600,000	2,000,000	–	(1,000,000)	5,600,000	3,600,000
Weighted average exercise price			$0.134	$0.255	$0.000	$0.131	$0.178	$0.144
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

No options were exercised during the year ended 30 June 2008. The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2007 was $0.181.

Note 26. Employee benefits (continued)

The assessed weighted average fair value at grant date of options granted during the year ended 30 June 2008 was $0.108 (2007 $0.041). 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 2008 include:

Weighted average exercise price: $0.255

Average life of the option: 5 years

Underlying share price: $0.175

Expected share price volatility (based on historic volatility): 80%

Dividend yield: nil

Risk-free interest rate: 6.28%

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Total expenses arising from share-based payment transactions recognised as part of employee benefit expense	**155,579**	70,926	**155,579**	70,926

Note 27. Related parties

Directors and specified executives

Disclosures relating to directors and other key management personnel are set out in the Directors' Report and Note 22.

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 28. 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 28. Investments in controlled entities

In the current period Glengarry Resources Limited is consolidating 2 subsidiaries (2007: 2). The carrying value of the subsidiaries is $nil (2007: $nil).

Note 29. Interests in joint ventures

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

	Parent entity	
Joint venture name:	**2008 %**	2007 %
* Inningarra Joint Venture	**100**	100
** Lucky Creek Joint Venture	**100**	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%.

** Beacon Minerals Ltd earning 80%.

*** MM Mining Plc 90%.

Note 30. Events occurring after reporting date

On 9 September 2008 shareholder approval was given for the sale of the Company's Greenvale Project to Kagara Ltd for a consideration of $6.5 million cash and a royalty of $5 per tonne on all ore milled from the Greenvale tenements in excess of one million tonnes. The sale was completed on 19 September 2008.

The Company has an investment in a listed company and this is recorded in the Balance Sheet at fair value. The fair value of this investment at 30 June 2008 was $1,069,235. As at 26 September 2008 the fair value of this investment has reduced by $341,089.

Note 31. Reconciliation of profit/(loss) from ordinary activities after income tax to net cash used in operating activities

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Operating profit/(loss) after income tax	**(3,505,630)**	3,553,405	**(3,518,943)**	3,566,718
Depreciation	**19,664**	16,097	**19,664**	16,097
Carrying value of non-current assets written off	**–**	–	**13,780**	161,980
Exploration and evaluation expenditure written off	**672,663**	268,643	**672,196**	93,350
Non-cash employee benefits expense – share based payments	**155,579**	70,926	**155,579**	70,926
(Profit)/loss on sale of mineral tenements	**–**	(4,674,339)	**–**	(4,674,339)
(Profit)/loss on sale of available-for-sale financial assets	**31,093**	(21,006)	**31,093**	(21,006)
Impairment loss	**1,940,269**	–	**1,940,269**	–
(Profit)/loss on sale of plant and equipment	**–**	(909)	**–**	(909)
Change in operating assets and liabilities				
(Increase)/decrease in other receivables	**(12,083)**	3,444	**(12,083)**	3,444
(Decrease)/increase in trade creditors and provisions	**5,745**	81,359	**5,745**	81,359
Net cash used in operating activities	**(692,700)**	(702,380)	**(692,700)**	(702,380)

Note 32. Earnings/(Loss) per share

	Consolidated	
	2008 Cents	2007 Cents
Basic earnings/(loss) per share	**(1.24)**	1.49
Diluted earnings/(loss) per share	**(1.24)**	1.49

	Consolidated	
Weighted average number of shares used as the denominator	**2008 Number**	2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	**282,389,011**	238,157,331
Adjustments for calculation of diluted earnings/(loss) per share:		
Options	–	1,100,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**282,389,011**	239,257,331
There were a further 5,600,000 (2007: 3,500,000) potential ordinary shares (options) not considered to be dilutive.		
Profits/(Losses) used in calculating earnings/(loss) per share		
Net profit/(loss)	**(3,505,630)**	3,553,405

Directors' Declaration

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

(a) The financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 35 to 72 are in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

  (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 1(a);

(c) The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the *Corporations Act 2001* and the *Corporations Regulations 2001*; and

(d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the managing director and the chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors.

D R Richards
Managing Director

Perth
26 September 2008

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

Report on the financial report

We have audited the accompanying financial report of Glengarry Resources Ltd (the Company), which comprises the balance sheets as at 30 June 2008, 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 1 to 32 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.

Directors' responsibility for the financial 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, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial 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.

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.

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

Auditor's opinion

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 2008 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 financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs 11a to 11e of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Glengarry Resources Ltd for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

T R Hart
Partner

Perth
26 September 2008

Mineral Tenement Interests

PROJECT	TENEMENT	AREA (sq km)	INTEREST	JV PARTNER(S)	OPERATOR
GOLD – BASE METAL – PROJECTS					
Queensland					
Greenvale	EPM 12510(1) EPM 12513(1) EPM 15050(1) EPM 15051(1) EPM 16319 EPM 16321	84 324 71 758 62 13	100%		
Percyvale	EPM 16117	363	100%		
Hampstead	EPM 16345	133	100%		
Lucky Creek Joint Venture	EPM 12399 EPM 14346 EPM 14925 EPM 16012 MDL 107	23 113 29 81 1	100% (2)	Beacon Minerals Ltd, earning 80%	Beacon Minerals Ltd
Mt Guide Joint Venture	EPM 14233	134	10% (3)	MM Mining Plc, 90%	MM Mining Plc
Snake Creek	EPM 14449	259	100% (4)		
Northern Territory					
Inningarra Joint Venture	EL 23625 (A)	193	100% (5)	Newmont Tanami Pty Ltd, earning 70%	Newmont Tanami Pty Ltd
Rum Jungle	EL 24970 EL 24971 EL 25240	90 16 19	100%		
Western Australia					
Citadel	E45/2874 E45/2876 (A) E45/2877 (A) E45/2901	189 576 630 314	100%		

(1) Tenements sold to Kagara Ltd, sale completed on 19 September 2008.

(2) Subject to Farm-in and Joint Venture Agreement with Beacon Minerals Ltd dated 12 January 2007.

(3) Subject to Farm-in and Joint Venture Agreement with Summit Resources (Aust) Pty Ltd dated 10 March 2005 and subsequent assignment to MM Mining Plc.

(4) Subject to Farm-in and Joint Venture Agreement entered into after 30 June 2008.

(5) Subject to Farm-in and Joint Venture Agreement with Newmont Tanami Pty Ltd dated 15 October 2003.

E	Exploration Licence (WA)	EL	Exploration Licence (NT)
EPM	Exploration Permit for Minerals (Qld)	MDL	Mineral Development Licence (Qld)

(A) Pending application

Shareholder Information

The shareholder information set out below was applicable as at 30 September 2008.

A. Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

Kagara Ltd – 56,600,000 shares.

B. Class of Shares and Voting Rights

(a) At 30 September 2008 there were 2,926 holders of ordinary shares in the Company.

(b) The voting rights attaching to the ordinary shares, set out in Clause 41 of the Company's Constitution, are:

On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid is of the total amounts paid and payable, excluding amounts credited, provided that the amounts paid in advance of a call are ignored when calculating a true portion.

(c) At 30 September 2008, there were eight holders of options over 6,000,000 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

C. Distribution of Equity Securities

(a) Analysis of numbers of equity security holders by size of holding:

	Class of Equity Security	
	Ordinary Shares	
	Shares	Options
1 – 1,000	47	–
1,001 – 5,000	287	–
5,001 – 10,000	517	–
10,001 – 100,000	1,642	1
100,001 and over	433	7
	2,926	8

(b) There were 973 holders of less than a marketable parcel of ordinary shares.

D. Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of each class of quoted equity security are listed below:

	Ordinary Shares	
Name	**Number Held**	**Percentage of Issued Shares**
Kagara Ltd	56,600,000	19.79
ANZ Nominees Ltd	8,392,204	2.93
Parkes Holdings Pty Ltd	4,500,000	1.57
Custodial Services Limited	3,659,000	1.28
Citicorp Nominees Pty Ltd	3,624,623	1.27
Mr Malcolm Thom	2,619,000	0.92
HSBC Custody Nominees (Aust) Ltd	2,512,121	0.88
Mrs Suzanne Patricia McKay	2,419,000	0.85
Nefco Nominees Pty Ltd	2,414,000	0.84
Ombord Pty Ltd	1,500,000	0.52
Tallenay Pty Ltd	1,500,000	0.52
Mr Charlie Georgees	1,468,000	0.52
Toltec Holdings Pty Ltd	1,380,321	0.48
National Nominees Limited	1,270,056	0.44
Mr Antonio Aceti	1,239,312	0.43
Matalot Pty Ltd	1,200,000	0.42
Lim & Tan Securities Pte Ltd	1,138,000	0.40
Fortis Clearing Nominees Pty Ltd	1,125,434	0.39
Mr Michael Chong	1,120,000	0.39
Mitsue Pty Ltd	1,095,380	0.38
	100,776,451	35.22

E. Restricted Securities

The Company currently has no restricted securities.

F. On-market Buy Back

There is no current on-market buy back.

NOTES

GLENGARRY

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