

Glengarry Resources Limited

ABN 40 009 468 099

Interim Financial Report

31 December 2008

| Contents | Page |
|--|-------------|
| Directors' Report | 3 |
| Auditor's Independence Declaration | 5 |
| Interim Financial Report | |
| Consolidated Interim Income Statement | 6 |
| Consolidated Interim Balance Sheet | 7 |
| Consolidated Interim Statement of Recognised Income and Expense | 8 |
| Consolidated Interim Statement of Cash Flows | 9 |
| Condensed Notes to the Consolidated Interim Financial Statements | 10 |
| Directors' Declaration | 13 |
| Independent Review Report to Members | 14 |

GLENGARRY RESOURCES LIMITED

Directors' Report

Your directors present their report on the Consolidated Entity ("Group") consisting of Glengarry Resources Limited ("Glengarry" or "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2008 together with the consolidated financial report and review report thereon.

Directors

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

K G McKay
D R Richards
W F Manning

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

Review of Operations

Financial Position

The net consolidated profit for the half-year was \$1,305,369. Included in the profit is exploration expenditure written off of \$860,515 and an impairment loss on available-for-sale financial assets of \$658,452.

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

At the end of the half-year the Consolidated Entity had net cash balances of \$10,079,859 and net assets of \$12,105,344.

Total liabilities amounted to \$266,638 and were limited to trade and other creditors and employee benefits.

Exploration

During the half-year to 31 December 2008 Glengarry carried out exploration programs on a number of wholly-owned projects. Glengarry completed an initial reverse circulation percussion drilling program at the Percyvale Project located in North Queensland. The drilling program tested targets for gold and base metal mineralisation defined at 3 prospects; Bernadette, Maggies and Black Soil Creek. Results from the drilling at Bernadette are encouraging and the next phase of work will focus on improving the understanding of the geology and mineralisation prior to planning any follow up drilling. The drilling at Maggies and Black Soil Creek did not intersect any significant gold or base metal mineralisation and no immediate follow up is planned.

At the Citadel Project located in the Telfer region of northwest Western Australia, Glengarry completed Aboriginal Heritage Surveys over planned drill sites designed to test 18 high priority targets defined by a review of previous exploration work. Only 1 drill site was not cleared and this will not have a significant impact on the proposed drill program scheduled to commence during the second quarter of 2009. In early January 2009 the applications were granted for the exploration licences for the southern portion of the Citadel area. All exploration licences have now been granted for the entire Project area.

Glengarry completed a reverse circulation percussion drilling program at the Rum Jungle Project located approximately 65 kilometres south of Darwin in the Northern Territory. The drilling program tested for gold mineralisation at the Acacia North prospect. The drilling did not intersect any significant gold mineralisation and the Rum Jungle Project will be relinquished once all statutory requirements are completed.

Exploration work was carried out at several of the Company's joint venture projects. In the Mt Isa region in Queensland, activities were completed by both Ivanhoe Australia Limited on the Snake Creek Project and MM Mining Plc on the Mt Guide Project. Subsequent to the half-year, Beacon Minerals Ltd withdrew from the Lucky Creek Joint Venture (North Queensland) and the Company has decided to relinquish the Project tenements except for the Steam Engine mining development licence.

GLENGARRY RESOURCES LIMITED

Directors' Report

The Company completed the sale of the Greenvale Project located in North Queensland to Kagara Ltd during the half-year. Shareholders formally approved the sale on 9 September 2008. Settlement of the sale was finalised on 19 September 2008 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 1 million tonnes. The sale realised a profit in excess of \$3.1 million.

Corporate

No equity was raised by the Company during the period.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2008 is set out on page 5.

A handwritten signature in black ink, appearing to read 'D R Richards', enclosed within a circular scribble.

D R Richards
Managing Director

Perth
10 March 2009



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

To: the directors of Glengarry Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to be 'T Hart', written in a cursive style.

T Hart
Partner

Perth

10 March 2009

GLENGARRY RESOURCES LIMITED**Consolidated Interim Income Statement
For the half-year ended 31 December 2008**

| | Note | 31 December 2008 | 31 December 2007 |
|---|-------------|-----------------------------|-----------------------------|
| | | \$ | \$ |
| Revenue | | | |
| Interest income | | 317,683 | 160,026 |
| Other income | 6 | 3,184,102 | 12,472 |
| Employee benefits expense | | (385,432) | (346,293) |
| Depreciation expense | | (12,393) | (9,493) |
| Exploration expense | | (860,515) | (536,807) |
| Loss on sale of available-for-sale financial assets | | - | (163,013) |
| Impairment loss | 9 | (658,452) | - |
| Administration expense | | (279,624) | (242,771) |
| Profit/(loss) before income tax | | 1,305,369 | (1,125,879) |
| Income tax expense | | - | - |
| Profit/(loss) attributable to members of Glengarry Resources Limited | | 1,305,369 | (1,125,879) |
| Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company: | | | |
| | | Cents | Cents |
| Basic earnings/(loss) per share | | 0.46 | (0.40) |
| Diluted earnings/(loss) per share | | 0.46 | (0.40) |

The above Consolidated Interim Income Statement should be read in conjunction with the accompanying notes.

GLENGARRY RESOURCES LIMITED

**Consolidated Interim Balance Sheet
As at 31 December 2008**

| | Note | 31 December 2008 \$ | 30 June 2008 \$ |
|-------------------------------------|------|---------------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | | 10,079,859 | 5,133,912 |
| Other receivables and prepayments | | 197,491 | 103,614 |
| Assets classified as held for sale | | - | 3,296,169 |
| Available-for-sale financial assets | | 410,784 | - |
| Total current assets | | 10,688,134 | 8,533,695 |
| Non-current assets | | | |
| Available-for-sale financial assets | | - | 1,069,235 |
| Plant and equipment | 7 | 58,136 | 65,207 |
| Exploration and evaluation | | 1,625,712 | 1,323,211 |
| Total non-current assets | | 1,683,848 | 2,457,653 |
| Total assets | | 12,371,982 | 10,991,348 |
| Current liabilities | | | |
| Trade and other payables | | 194,238 | 193,414 |
| Employee benefits | | 72,400 | 61,186 |
| Total current liabilities | | 266,638 | 254,600 |
| Total liabilities | | 266,638 | 254,600 |
| Net assets | | 12,105,344 | 10,736,748 |
| Equity | | | |
| Issued capital | 8 | 15,544,255 | 15,544,255 |
| Reserves | 9 | 359,822 | 296,595 |
| Accumulated losses | 10 | (3,798,733) | (5,104,102) |
| Total equity | | 12,105,344 | 10,736,748 |

The above Consolidated Interim Balance Sheet should be read in conjunction with the accompanying notes.

GLENGARRY RESOURCES LIMITED

**Consolidated Interim Statement of Recognised Income and Expense
For the half-year ended 31 December 2008**

| | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------------|
| | \$ | \$ |
| Net change in fair value of available-for-sale financial assets | (658,452) | (1,000,109) |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss | 658,452 | - |
| Income and expense recognised directly in equity | - | (1,000,109) |
| Profit/(loss) for the period | 1,305,369 | (1,125,879) |
| Total recognised income and expense for the period | <u>1,305,369</u> | <u>(2,125,988)</u> |

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

GLENGARRY RESOURCES LIMITED**Consolidated Interim Statement of Cash Flows
For the half-year ended 31 December 2008**

| | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------|
| | \$ | \$ |
| <hr/> | | |
| Cash flows from operating activities | | |
| Payments to suppliers and employees (inclusive of goods and services tax) | (672,136) | (630,378) |
| Interest received | 231,127 | 138,940 |
| Net cash used in operating activities | (441,009) | (491,438) |
| <hr/> | | |
| Cash flows from investing activities | | |
| Payments for plant & equipment | (5,322) | (12,479) |
| Refunds (payments) for security deposits | 7,500 | (17,400) |
| Exploration and evaluation expenditure | (1,115,495) | (1,451,911) |
| Proceeds from sale of plant & equipment | 273 | - |
| Proceeds from sale of available-for-sale financial assets | - | 1,939,242 |
| Proceeds from sale of mineral tenements | 6,500,000 | - |
| Net cash from investing activities | 5,386,956 | 457,452 |
| <hr/> | | |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 4,375,000 |
| Transaction costs | - | (11,950) |
| Net cash from financing activities | - | 4,363,050 |
| <hr/> | | |
| Net increase in cash and cash equivalents | 4,945,947 | 4,329,064 |
| Cash and cash equivalents at the beginning of the half-year | 5,133,912 | 1,051,150 |
| <hr/> | | |
| Cash and cash equivalents at the end of the half-year | 10,079,859 | 5,380,214 |
| <hr/> | | |

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

GLENGARRY RESOURCES LIMITED

Condensed Notes to the Consolidated Interim Financial Statements

Note 1. Reporting entity

Glengarry Resources Limited is a company domiciled in Australia. The consolidated interim financial report of the Company as at 31 December 2008 comprises the Company and its subsidiaries (together referred to as the “Consolidated Entity”).

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2008 is available upon request from the Company’s registered office or at www.glengarry.com.au.

Note 2. Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2008.

The consolidated interim financial report was approved by the Board of Directors on 10 March 2009.

Note 3. Significant accounting policies

The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2008.

Note 4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of those assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated annual financial report as at and for the year ended 30 June 2008.

Note 5. 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.

GLENGARRY RESOURCES LIMITED

Condensed Notes to the Consolidated Interim Financial Statements

Note 6. Other Income

| | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------|
| | \$ | \$ |
| Net foreign exchange gain | 597 | 12,472 |
| Net gain on disposal of mineral tenements | 3,183,232 | - |
| Net gain on disposal of plant and equipment | 273 | - |
| | 3,184,102 | 12,472 |

Note 7. Plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2008 the Consolidated Entity acquired assets with a cost of \$5,322 (six months ended 31 December 2007: \$4,564).

During the six months ended 31 December 2008 a gain of \$273 was recognised on the disposal of assets. No assets were disposed of during the six months ended 31 December 2007.

Note 8. Movements in ordinary share capital

| | 31 December 2008 | 31 December 2007 | 31 December 2008 | 31 December 2007 |
|-------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | Shares | Shares | \$ | \$ |
| Opening balance | 286,003,678 | 249,177,528 | 15,544,255 | 10,931,205 |
| Placement of shares | - | 36,826,150 | - | 4,625,000 |
| Less: Transaction costs | | | - | (11,950) |
| Closing balance | 286,003,678 | 286,003,678 | 15,544,255 | 15,544,255 |

Note 9. Movements in reserves

| | 31 December 2008 | 31 December 2007 |
|---|-----------------------------|---------------------|
| | \$ | \$ |
| <i>Share-based payments reserve</i> | | |
| Opening balance | 296,595 | 141,016 |
| Option expense | 63,227 | 89,044 |
| Closing balance | 359,822 | 230,060 |
| <i>Available-for-sale investments revaluation reserve</i> | | |
| Opening balance | - | (379,972) |
| Revaluation | (658,452) | (1,000,109) |
| Transfer to net profit | 658,452 | 154,269 |
| Closing balance | - | (1,225,812) |
| Total reserves | 359,822 | (995,752) |

GLENGARRY RESOURCES LIMITED

Condensed Notes to the Consolidated Interim Financial Statements

Note 10: Movements in accumulated losses

| | 31 December 2008 | 31 December 2007 |
|--|-----------------------------|---------------------|
| | \$ | \$ |
| Opening balance | (5,104,102) | (1,598,472) |
| Net profit/(loss) attributable to members of Glengarry Resources Limited | 1,305,369 | (1,125,879) |
| Closing balance | (3,798,733) | (2,724,351) |

Note 11. Share based payments

During the half-year a total of 1,400,000 options were granted under the Consolidated Entity's Employee Share Option Plan. The options were issued to employees in three tranches with various vesting dates. The options were issued with exercise prices ranging from \$0.100 per option to \$0.175 per option. The options expire within 5 years. The fair value of the options range from \$0.021 to \$0.028 per option. The basis of measuring fair value is consistent with that disclosed in the consolidated annual financial report as at and for the year ended 30 June 2008.

Note 12. Contingent liabilities

The Consolidated Entity has contingent liabilities at 31 December 2008 in respect of guarantees given for bank security bonds amounting to \$13,475 (2007 - \$13,475), secured by cash deposits lodged as security with the bank.

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

Note 13. Events occurring after reporting date

The Consolidated Entity 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 31 December 2008 was \$410,784. Subsequent to the reporting date, the Consolidated Entity sold the investment realising \$567,333.

Other than set out above, no matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

GLENGARRY RESOURCES LIMITED

Directors' Declaration

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

- (a) The financial statements and notes set out on pages 6 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2008 and of its performance for the six month period ended on that date; and
 - (ii) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'D Richards', written in a cursive style.

D R Richards
Managing Director

Perth
10 March 2009



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

We have reviewed the accompanying interim financial report of Glengarry Resources Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Glengarry Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

A handwritten signature in black ink, appearing to be 'T Hart', written in a cursive style.

T Hart
Partner

Perth

10 March 2009