

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Glengarry Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2003.

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: A T Harris, A J Alston and M J Glasson.

D R Richards was appointed Managing Director on 1 September 2003 and continues in office at the date of this report.

Principal activities

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

Dividends - Glengarry Resources Limited

No dividends were paid to members during the financial year and the directors do not recommend the payment of a dividend.

Review of operations

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

	Revenues		Results	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sale of non-current assets	479,086	1,551,445	207,996	549,344
Other ordinary activities	75,950	70,696	(1,618,925)	(528,329)
	<u>555,036</u>	<u>1,622,141</u>		
Profit(loss) from ordinary activities before related income tax expense			(1,410,929)	21,015
Income tax expense			-	-
Net profit(loss) from ordinary activities after related income tax expense attributable to members of Glengarry Resources Limited			<u>(1,410,929)</u>	<u>21,015</u>

A review of operations of the consolidated entity is set out in the separate section titled "Review of operations and activities" on pages 4 to 10.

Earnings per share

	2003	2002
	cents	cents
Basic earnings per share	(1.283)	0.019
Diluted earnings per share	(1.283)	0.013

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Since 30 June 2003 Glengarry Resources Limited issued 16,000,000 ordinary shares at 3.2 cents per share to raise \$512,000 in working capital.

Except for the matter discussed above, no matter or circumstance has arisen that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years.

DIRECTORS' REPORT (continued)

Likely developments and expected results of operations

Other than likely developments contained in the "Review of operations and activities", 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.

Environmental regulation

The consolidated entity is subject to the environmental laws and regulations imposed under the Mining Act 1978 of Western Australia and the Mineral Resources Act 1989 (Queensland) depending on the activities being undertaken. The company is currently only engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a licence 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 regulations during the year.

Information on directors

Director	Experience	Special responsibilities	Particulars of directors' interests in shares and options of parent entity	
			Ordinary shares	Options
Chairman - non-executive				
A T Harris FCA	Non-executive director for 11 years and Chairman for 7 years. Age 65. Chartered accountant with 25 years experience in the mining industry.	Chairman	12,567,548	10,000,000
Executive directors				
D R Richards BSc (Hons), MAIG	Managing director appointed 1 September 2003. Age 42. Former Chief Geologist, New Projects Australia of Auriongold Limited.	Managing Director	200,000	-
A J Alston BSc, MAusIMM, MAIG	Executive director for 2 years following 3 years as non-executive director. Age 56. Geologist with 31 years experience in the mining industry.	Exploration Director	3,340,934	1,345,000
Non-executive director				
M J Glasson BSc (Hons), MSc, FAusIMM	Non-executive director for 3 years. Age 51. Geologist with 27 years experience in the mining industry.	Consulting Geologist	252,500	51,250

Company secretary

The company secretary is Mr A T Harris FCA. Mr Harris was appointed to the position of company secretary in 2000. Mr Harris has extensive company secretarial experience as a practising chartered accountant.

Meetings of directors

The number of meetings of the company's board of directors held during the year ended 30 June 2003, and the number of meetings attended by each director were:

	Full meetings of directors
Number of meetings held	5
Number of meetings attended	
A T Harris	5
A J Alston	5
M J Glasson	5
D R Richards (appointed 1 September 2003)	-

In addition to the full meetings of directors there were regular management meetings attended by all directors and executives.

The functions of the audit, nomination and remuneration committees were performed by the full board of directors.

Retirement, election and continuation in office of directors

Mr A J Alston is the director retiring by rotation who, being eligible, offers himself for re-election.

DIRECTORS' REPORT (continued)

Directors' and executives' emoluments

The Board determines remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements and fringe benefits. Executives are also eligible to participate in the Employee Incentive Scheme.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations and achieving the company's strategic objectives.

Remuneration and other terms of employment for executive directors and all executives are formalised in writing.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. The maximum directors' base fees currently stands at \$100,000.

Details of the nature and amount of each element of the emoluments of each director of Glengarry Resources Limited and each of the 5 officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-executive directors of Glengarry Resources Limited

Name	Directors' base fee \$	Consulting fees \$	Motor vehicle	Superannuation* \$	Total \$
A T Harris, <i>Chairman</i>	40,000	66,150	-	3,600	109,750
M J Glasson	25,000	73,738	4,391	2,250	105,379

* Superannuation equates to the amount of contributions paid into the nominated fund. During the year ended 30 June 2003 this contribution was 9%.

Executive directors of Glengarry Resources Limited

Name	Base salary \$	Motor vehicle \$	Superannuation \$	Total \$
A J Alston, <i>Exploration Director</i>	125,401	7,288	9,599	142,288

Other executives of Glengarry Resources Limited

Name	Base salary \$	Superannuation \$	Options \$	Total \$
D R Richards, <i>Exploration Manager*</i>	36,697	3,303	2,500	42,500

* D R Richards was appointed Managing Director on 1 September 2003.

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted to executives during the year ended 30 June 2003. Fair values have been determined using an appropriate 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 current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

"Other executives" are officers who are involved in, or who take part in, the management of the affairs of Glengarry Resources Limited and/or related bodies corporate.

The Corporate Governance Council has made recommendations in relation to directors' remuneration disclosures, including disclosures about the expected outcomes of remuneration structures and the basis for the exercise of the directors' discretion in relation to the payment of bonuses. The Board will consider these recommendations and will make appropriate disclosures in future directors' reports.

DIRECTORS' REPORT (continued)

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 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:

	Options granted
Directors	
D R Richards, <i>Managing Director</i>	500,000
Other executives of Glengarry Resources Limited	nil

The options were granted under the Employee Incentive Scheme on 4 April 2003.

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
12 June 2002	31 March 2005	15 cents	54,685,775
4 April 2003	18 February 2004	5 cents	500,000

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

Shares issued on the exercise of options

The following ordinary shares of Glengarry Resources Limited were issued during the year ended 30 June 2003 on the exercise of listed options. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number
12 June 2002	15 cents	1,867

Insurance of officers

During the financial year, Glengarry Resources Limited paid a premium of \$22,268 to insure the directors and secretary of the company.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entities in the consolidated entity.

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.

Audit committee

Given the present size of the company and its Board, the full Board carries out the functions of an audit committee.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

A T Harris
Director

Perth
2 September 2003

CORPORATE GOVERNANCE STATEMENT

Glengarry Resources Limited (the company) and the board are committed to achieving and demonstrating high standards of corporate governance. A review of the company's corporate governance framework was carried out in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. The company's current framework is not completely consistent with the recommendations. The company and its controlled entities together are referred to as the Group in this statement. This statement includes a reference to non-compliance with the recommendations.

The relationship between the board and senior management is important to the Group's long term success. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the board to the Managing Director or his equivalent and senior executives. These delegations are reviewed on an annual basis.

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 Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The board of directors

The board operates in accordance with the following broad principles:

Board composition

- the board is to be comprised of both executive and non executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.

- the Chairman is elected by the full board and is required to meet regularly with the Managing Director or his equivalent.
- the company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience.
- the board is required to undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group.
- each director must hold a minimum of 10,000 shares in the company.

Responsibilities

The responsibilities of the board include:

- contributing to the development of and approving the corporate strategy.
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives.
 - compliance with the company's code of conduct.
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments.
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors.
- appointment, performance assessment and, if necessary, removal of the Managing Director or his equivalent.
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team and the Company Secretary.
- ensuring there are effective management processes in place and approving major corporate initiatives.
- enhancing and protecting the reputation of the organisation.
- ensuring the significant risks facing the Group, including those associated with its legal compliance obligations have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place.
- reporting to shareholders.

CORPORATE GOVERNANCE STATEMENT (continued)

Board members

Details of the members of the board, their experience, qualifications, term of office and independent status are set out in the directors' report under the heading "Information on directors". There are two non-executive directors, and two executive directors at the date of signing the directors' report.

The directors in office were considered and nominated by the board acting in its capacity as the nomination committee based on the skills and experience they could bring to board deliberations on current and emerging issues.

In addition the board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective.
- the size of the board is conducive to effective discussion and efficient decision making.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- within the last three years not employed in an executive capacity by the company or controlled entity, or been a director after ceasing to hold any such employment.
- within the last three years not a principal of a material professional adviser or a material consultant to the company or a controlled entity, or an employee materially associated with the service provided.
- not a material supplier or customer of the company or a controlled entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- must have no material contractual relationship with the company or a controlled entity other than as a director of the Group.
- not been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the company or Group or 5% of the individual directors' 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.

Recent thinking on corporate governance has introduced the view that a director's independence may be perceived to be impacted by lengthy service on the board. To avoid any potential concerns, the board has determined that a director will not be deemed independent if he or she has served on the board of the company for more than ten years.

It is noted that none of the current directors qualify as "independent" according to the above criteria. The board will continue to monitor developments on this issue.

Term of office

The company's Constitution does not specify any limitation to the term of office of a director.

The company has not determined a policy on the term of office of directors.

Chairman and Managing Director

The Chairman is responsible for leading the board, ensuring that board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The Managing Director or his equivalent is responsible for implementing Group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people.

Commitment

The board held five board meetings and regular management meetings during the year.

Non-executive directors are expected to spend at least 40 days a year preparing for and attending board and management meetings and associated activities.

The number of meetings of the company's board of directors held during the year ended 30 June 2003, and the number of meetings attended by each director is disclosed on page 12.

CORPORATE GOVERNANCE STATEMENT (continued)

It is the company's practice to allow its executive directors to accept appointments outside the company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2003.

The commitments of non-executive directors are considered by the board prior to the directors' appointment to the board of the company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

Conflict of interests

Entities connected with Mr A T Harris and Mr M J Glasson had business dealings with the consolidated entity during the year, as described in note 23 to the financial statements. In accordance with board practice the directors concerned declared their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Group pertaining to those dealings.

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.

Performance assessment

The board undertakes an annual self assessment of its collective performance and seeks specific feedback from the senior management team on particular aspects of its performance.

The Chairman annually assesses the performance of individual directors and meets privately with each director to discuss this assessment. The Chairman's performance is reviewed by the board.

Board committees

Given the size of the current board, it has resolved to act in the capacity of the nomination, remuneration and audit committees.

Nomination committee

The main responsibilities of the board, acting in its capacity as the nomination committee, are to:

- conduct an annual review of the membership of the board having regard to present and future needs of the company and to make recommendations on board composition and appointments.
- conduct an annual review of the independence of directors.
- propose candidates for board vacancies.
- oversee the annual performance assessment program.
- oversee board succession including the succession of the Chairman.
- assess the effectiveness of the induction process.

When the need for a new director is identified or an existing director is required to stand for re-election, the board reviews the range of skills, experience and expertise on the board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent research consultants.

The board appoints the most suitable candidate who must stand for election at the next annual general meeting of the company. Reappointment of existing directors is not automatic and is contingent on their past performance and contribution to the company.

The board has resolved that future notices of meeting for the election of directors will fully comply with the ASX Corporate Governance Council's best practice recommendations.

New directors are provided with a letter of appointment setting out their responsibilities, rights and the terms and conditions of their employment. All new directors participate in a comprehensive, formal induction program which covers financial, strategic, operations and risk management issues as well as expectations for director behaviour.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration committee

The board, acting in its capacity as the remuneration committee, considers remuneration 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 a formal 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 board on an annual basis and, where necessary is revised in consultation with the relevant employee.

Executive remuneration and other terms of employment are reviewed annually by the board 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, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Executives are also eligible to participate in the Employee Incentive Scheme. Information relating to this scheme is set out in note 22 to the financial statements.

The remuneration of non-executive directors in the form of directors fees is determined by the board subject to the total amount approved by shareholders. Non-executive directors are eligible to participate in the Employee Incentive Scheme subject to shareholder approval.

The company has not introduced a retirement scheme in respect to the retirement of its directors.

Further information on directors' and executives' remuneration is set out in the directors' report and notes 17 and 18 to the financial statements.

The board's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are

in compliance with the Corporations Act 2001 and are appropriately disclosed.

The board also assumes responsibility for management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit committee

The board, acting in its capacity as the audit committee, has appropriate financial expertise and all members have a working knowledge of the industries in which the Group operates.

The main responsibilities of the board are to:

- review, assess and approve the annual report, the half year financial report and all other financial information published by the company or released to the market.
- review the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework.
- determine the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance.
- consider the independence and competence of the external auditor on an ongoing basis.
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- review and monitor related party transactions and assess their propriety.

In fulfilling its responsibilities, the board:

- receives regular reports from management and the external auditors.
- appoints a representative to meet with the external auditors at least twice a year or more frequently if necessary.

CORPORATE GOVERNANCE STATEMENT (continued)

- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- provides the external auditors with a clear line of direct communication at any time to the Chairman of the board.

The board has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The company and board 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. PricewaterhouseCoopers were appointed as the external auditors in 1989 (Coopers and Lybrand). It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every seven years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2001.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 19 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the board.

Risk assessment and management

The board is responsible for ensuring there are adequate policies in relation to risk oversight and management, and internal control systems. 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 Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the code of conduct is required at all times and the board actively promotes a culture of quality and integrity.

The company risk management policy is managed by the board.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT 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.

Environment, health and safety management system

The company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance.

Observance of these issues 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, and
- encourage the adoption of similar standards by the entity's principal suppliers and contractors.

Information on compliance with significant environmental regulations is set out in the directors' report.

Code of Conduct

The company intends to develop a statement of values and a Code of Conduct (the Code) which will be fully endorsed by the board and apply to all directors and employees. The Code will be 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 Group's integrity.

In summary, the Code will formalise the current requirement 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.

CORPORATE GOVERNANCE STATEMENT (continued)

The purchase and sale of company securities by directors and employees is only permitted after the expiration of 2 business days following the release to the market of the half-yearly, the annual financial results and any ASX announcements. Any transactions undertaken must be notified to the company secretary in advance.

This Code and the company's trading policy will be discussed with each new employee as part of their induction training and all employees will be asked to sign an annual declaration confirming their compliance.

The Code will require employees who are aware of unethical practices within the Group or breaches of the company's trading policy to report these using the company's whistleblower program. 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 its full trading policy will be available on the company's website at www.glengarrynl.com.au.

Continuous disclosure and shareholder communication

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure

requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The company has 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.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's website. 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.

All shareholders receive a copy of the company's annual and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. All recent company announcements, media briefings, details of company meetings, press releases for the last three years, and financial reports for the last 2 years are available on the company's website www.glengarrynl.com.au.

The website intends to include a feedback mechanism and an option for shareholders to register their email address for direct email updates of company matters.

CORPORATE GOVERNANCE STATEMENT (continued)

Non-compliance statement

Glengarry Resources Limited has not followed all of the recommendations set out in Australian Stock Exchange Limited (ASX) Listing Rule 4.10.3.

The company has identified those recommendations that have not been followed as follows:

- The company's corporate governance framework is not completely consistent with the best practice recommendations released by the ASX Corporate Governance Council.
- The company appointed a Managing Director on 1 September 2003. The previous Managing Director resigned on 9 March 2000. The duties of the Managing Director during the interim period were delegated to the directors.
- None of the directors meet the definition of "independent director".
- The board acts in the capacity of the nomination, remuneration and audit committees.
- The company intends to include the various corporate governance matters on its website, however, has not done so at the date of this report.
- The company has not complied with the "performance assessment" requirements.
- The company is yet to formalise a statement of values and a Code of Conduct. In practice the company has adopted the principles of a Code of Conduct.
- The equivalent of the Chief Executive Officer and the Chief Financial Officer have not stated in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards or that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. The full board has reached its own satisfaction on all of these issues.

- The company is yet to prepare written policies regarding compliance with the ASX Listing Rule on disclosure requirements.

The reasons the company has not followed the recommendations are as follows:

- The company is a junior exploration company with limited financial and human resources.
- The company has confined its management structures to maximise its exploration activities.
- The board of directors comprises four directors, all of whom are active in the management of the company thereby effecting substantial savings in the costs of administration of the company. Given the onerous responsibilities of public company directors the company has found it extremely difficult to recruit or attract suitably qualified new board members.
- The minimisation of organisational structures allows the company to respond quickly to opportunities and expedite the outcome of complex managerial issues.
- Given the company is totally reliant on the continuing support of its shareholders and the stock market to fund its exploration activities, the minimisation of administration expenditure is critically important.
- The company recognises the importance of proper corporate governance and will endeavour to meet the principles of good corporate governance and best practice recommendations set by the ASX Corporate Governance Council.
- Given the onerous responsibilities attaching to public company directorships and the limited resources of junior exploration companies, it is difficult to fulfil all of the recommendations on good corporate governance despite the best intention of the directors.

Contents

Financial report	Page
Statements of financial performance	23
Statements of financial position	24
Statements of cash flows	25
Notes to the financial statements	26
Directors' declaration	45
Independent audit report to the members	46

This financial report covers both Glengarry Resources Limited as an individual entity and the consolidated entity consisting of Glengarry Resources Limited and its controlled entities.

Glengarry Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Glengarry Resources Limited
35 Havelock Street
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 4 - 10 and in the directors' report on pages 11 - 14.

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.glengarrynl.com.au.

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

STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenue from ordinary activities	2	555,036	1,622,141	555,036	1,622,141
Employee benefits expense	3	(138,004)	(160,858)	(138,004)	(160,858)
Depreciation and amortisation expenses	3	(21,445)	(17,510)	(21,445)	(17,510)
Write down of exploration and evaluation	3	(999,097)	(130,264)	(999,097)	(130,264)
Write down of investments	3	(109,097)	-	(109,097)	-
Carrying amount of non-current assets sold		(271,090)	(1,002,101)	(271,090)	(1,002,101)
Consultancy costs		(130,993)	(128,363)	(130,993)	(128,363)
Insurance costs		(32,436)	(30,014)	(32,436)	(30,014)
Rent of premises		(56,535)	(54,176)	(56,535)	(54,176)
Shareholder expenses		(29,963)	(35,370)	(29,963)	(35,370)
Other expenses from ordinary activities		(177,305)	(42,470)	(177,305)	(42,470)
Profit(loss) from ordinary activities before related income tax expense	3	(1,410,929)	21,015	(1,410,929)	21,015
Income tax expense	4	-	-	-	-
Net profit(loss)		(1,410,929)	21,015	(1,410,929)	21,015
Total changes in equity attributable to members of Glengarry Resources Limited other than those resulting from transactions with owners as owners	15	(1,410,929)	21,015	(1,410,929)	21,015
		Cents	Cents		
Basic earnings per share	31	(1.283)	0.019		
Diluted earnings per share	31	(1.283)	0.013		

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$	2002 \$	2003 \$	2002 \$
Current assets					
Cash assets	5, 16	526,302	1,757,510	526,302	1,757,510
Receivables	6, 16	40,297	126,217	40,297	126,217
Other	7	16,750	14,802	16,750	14,802
Total current assets		583,349	1,898,529	583,349	1,898,529
Non-current assets					
Other financial assets	9, 16	887,689	1,045,582	887,689	1,045,582
Exploration and evaluation	10	2,417,881	2,361,734	2,417,881	2,361,734
Plant and equipment	11	57,345	71,265	57,345	71,265
Total non-current assets		3,362,915	3,478,581	3,362,915	3,478,581
Total assets		3,946,264	5,377,110	3,946,264	5,377,110
Current liabilities					
Payables	12, 16	75,390	125,527	75,390	125,527
Total current liabilities		75,390	125,527	75,390	125,527
Total liabilities		75,390	125,527	75,390	125,527
Net assets		3,870,874	5,251,583	3,870,874	5,251,583
Equity					
Parent entity interest					
Contributed equity	13	5,476,296	5,446,076	5,476,296	5,446,076
Accumulated losses	14	(1,605,422)	(194,493)	(1,605,422)	(194,493)
Total equity	15	3,870,874	5,251,583	3,870,874	5,251,583

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$	2002 \$	2003 \$	2002 \$
Cash flows from operating activities					
Sundry income received (inclusive of goods and services tax)		150,961	124,236	150,961	124,236
Payments to suppliers and employees (inclusive of goods and services tax)		(684,336)	(611,547)	(684,336)	(611,783)
		(533,375)	(487,311)	(533,375)	(487,547)
Dividends received		3,540	-	3,540	-
Interest received		62,107	35,726	62,107	35,726
Net cash (outflow) from operating activities	29	(467,728)	(451,585)	(467,728)	(451,821)
Cash flows from investing activities					
Payments for plant and equipment		(8,663)	(52,032)	(8,663)	(52,032)
Payments for investments		(222,294)	(78,616)	(222,294)	(78,616)
Payments for security deposits		(36,000)	-	(36,000)	-
Exploration and evaluation expenditure		(1,069,430)	(663,962)	(1,069,430)	(663,962)
Proceeds from sale of investments		574,267	1,456,264	574,267	1,456,264
Repayment of loans by controlled entities		-	-	-	236
Net cash inflow (outflow) from investing activities		(762,120)	661,654	(762,120)	661,890
Cash flows from financing activities					
Proceeds from issues of securities	13	280	546,876	280	546,876
Securities issue costs		(1,640)	(19,273)	(1,640)	(19,273)
Net cash inflow (outflow) from financing activities		(1,360)	527,603	(1,360)	527,603
Net increase (decrease) in cash held		(1,231,208)	737,672	(1,231,208)	737,672
Cash at the beginning of the financial year		1,757,510	1,019,838	1,757,510	1,019,838
Cash at the end of the financial year	5	526,302	1,757,510	526,302	1,757,510
Non-cash financing and investing activities	30				

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

Note	Contents	Page
1	Summary of significant accounting policies	27
2	Revenue	31
3	Profit from ordinary activities	32
4	Income tax	32
	Current assets	
5	Cash assets	33
6	Receivables	33
7	Other	33
	Non-current assets	
8	Receivables	34
9	Other financial assets	34
10	Exploration and evaluation	34
11	Plant and equipment	35
	Current liabilities	
12	Payables	35
	Total equity	
13	Contributed equity	35
14	Accumulated losses	36
15	Equity	37
16	Financial instruments	37
17	Remuneration of directors	38
18	Remuneration of executives	38
19	Remuneration of auditors	39
20	Contingent liabilities	39
21	Commitments for expenditure	40
22	Employee benefits	40
23	Related parties	41
24	Investments in controlled entities	43
25	Deed of cross guarantee	43
26	Interests in joint ventures	43
27	Events occurring after reporting date	43
28	Segment information	44
29	Reconciliation of profit from ordinary activities after income tax to net cash outflow from operating activities	44
30	Non-cash financing and investing activities	44
31	Earnings per share	44

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003

Note 1. Summary of significant accounting policies

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

As a result of applying the new accounting standard AASB1044 Provisions, Contingent Liabilities and Contingent Assets for the first time, certain liabilities have been reclassified as described in note 1(s).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Glengarry Resources Limited ("company" or "parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. Glengarry Resources Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in joint ventures are accounted for as set out in note 1(l).

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Provisions for restructuring costs and related employee termination benefits are recognised as at the date of acquisition of an entity or part thereof on the basis described in the accounting policy notes for restructuring costs [note 1(p)] and employee benefits [note 1(n)].

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as a revenue in the statement of financial performance.

(d) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue includes interest and dividend income on short term investments, proceeds from the disposal of non-current assets and sundry other revenue items.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Receivables

Debtors are recognised at the amounts receivable as they are due no more than 30 days from the date of recognition.

(f) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. (Details of the principal areas of interest held by the consolidated entity are set out on page 49).

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

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

Expenditure which fails to meet at least one of the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired from another mining company are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 1015 Accounting for the Acquisition of Assets. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the company's rights of tenure to that area of interest are current.

(h) Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 1. Summary of significant accounting policies (continued)**(i) Investments**

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements, are brought to account at the lower of cost and net realisable value and dividend income is recognised in the statement of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

The interest in a joint venture is accounted for as set out in note 1 (l).

(j) Depreciation of plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives of plant and equipment is three to five years.

(k) Trade and other creditors

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

(l) Joint ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in note 26.

(m) Website costs

Costs in relation to websites controlled by a controlled entity are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from 2 to 5 years.

(n) Employee benefits**(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors 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 expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date 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. 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) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 1. Summary of significant accounting policies (continued)**(n) Employee benefits (continued)****(iii) Termination benefits (continued)**

Liabilities for termination benefits relating to an acquired entity or operation that arise as a consequence of acquisitions are recognised as at the date of acquisition if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected that the terminations would be carried out and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier. These liabilities are disclosed in aggregate with other restructuring costs as a consequence of the acquisition.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, 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 payments, where the effect of discounting is material.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they related are recognised as liabilities.

(v) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the Glengarry Resources Limited Employee Incentive Scheme. Information relating to this scheme is set out in note 22.

No accounting entries are made in relation to the Glengarry Resources Limited Employee Incentive Scheme until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in notes 17 and 18 include the assessed fair values of options at the date they were granted.

The market value of shares issued to employees for no cash consideration under the Employee Incentive Scheme is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares. When the shares are issued, their market value is recognised in the statement of financial position as share capital.

(o) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

(p) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition of an entity, or part thereof, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring at the acquisition date and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier.

The cost of restructuring provided for, other than related employee termination benefits, is the estimated cash flows, having regard to the risks of the restructuring activities, discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

(p) Restructuring costs (continued)

Liabilities for employee termination benefits associated with restructurings are brought to account on the basis described in the accounting policy note for employee benefits [note 1(n)(iii)]. Liabilities for costs of restructurings and related employee termination benefits are disclosed in aggregate where the restructuring occurs as a consequence of an acquisition.

Reversals of part or all of a provision for restructuring relating to an acquisition because the costs are no longer expected to be incurred as planned, are adjusted against the goodwill or discount on acquisition. The adjusted carrying amounts of goodwill or non-monetary assets are amortised or depreciated from the date of the reversal.

(q) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(r) Earnings per share**(i) Basic earnings per share**

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Reclassification of liabilities for certain employee benefits

The liabilities for wages and salaries, annual leave and accumulating sick leave and related on-costs expected to be settled within 12 months of reporting date have been reclassified from provisions to other creditors in the current year as a result of the adoption of the new accounting standard, AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets*. The directors do not believe there are any significant uncertainties relating to the amount and timing of future payments included in the liabilities for these employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.

Note 2. Revenue

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Revenue from operating activities				
Tenement cost recoveries	15,865	5,970	15,865	5,970
Expenses recouped	-	4,000	-	4,000
	15,865	9,970	15,865	9,970
Revenue from outside the operating activities				
Interest	55,028	35,726	55,028	35,726
Dividends	5,057	-	5,057	-
Sale of non-current assets	479,086	1,551,445	479,086	1,551,445
Tenement option fees	-	25,000	-	25,000
	539,171	1,612,171	539,171	1,612,171
Revenue from ordinary activities	555,036	1,622,141	555,036	1,622,141

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 3. Profit from ordinary activities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal of:				
Investments	207,996	549,344	207,996	549,344
Reversal of write down of investments	-	91,067	-	91,067
Tenement option fees	-	25,000	-	25,000
Expenses				
Depreciation				
Plant and equipment	21,445	17,510	21,445	17,510
Other charges against assets				
Write down of exploration and evaluation expenditure	999,097	130,264	999,097	130,264
Write down of investments to recoverable amount	109,097	-	109,097	-
Rental expense relating to operating leases	56,535	54,176	56,535	54,176
Employee benefits expense				
Gross expense	370,079	311,551	370,079	311,551
Amount capitalised	(232,075)	(150,693)	(232,075)	(150,693)
Net employee benefits expense	138,004	160,858	138,004	160,858

Note 4. Income tax

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Income tax expense				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit(loss) from ordinary activities before income tax expense	(1,410,929)	21,015	(1,410,929)	21,015
Income tax calculated @ 30% (2002 - 30%)	(423,279)	6,305	(423,279)	6,305
Tax effect of permanent differences:				
- Sundry items	261	355	261	355
- Tax losses transferred from controlled entities (note 23)	-	-	(62,399)	(164,183)
Income tax adjusted for permanent differences	(423,018)	6,660	(485,417)	(157,523)
Benefit of tax losses of prior years recouped	-	(6,660)	-	-
Income tax benefit not brought to account	423,018	-	485,417	157,523
Aggregate income tax expense	-	-	-	-

Tax losses

The directors estimate that the potential future income tax benefit at 30 June 2003 in respect of tax losses not brought to account is:

	6,337,788	5,909,380	5,397,682	4,936,844
--	-----------	-----------	-----------	-----------

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 4. Income tax (continued)

The benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Tax consolidation legislation

Glengarry Resources Limited and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

As a consequence, Glengarry Resources Limited, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian consolidated entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax sharing agreement will be recognised separately by Glengarry Resources Limited as tax-related amounts receivable or payable. The impact on the income tax expense and results of Glengarry Resources Limited is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

The financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.

Note 5. Current assets – Cash assets

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Cash at bank and on hand	7,689	5,894	7,689	5,894
Deposits at call	518,613	1,751,616	518,613	1,751,616
	526,302	1,757,510	526,302	1,757,510

Deposits at call

The deposits are bearing floating interest rates between 3.74% and 4.52% (2002 – 3.36% and 4.83%).

Note 6. Current assets – Receivables

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Other debtors	40,297	126,217	40,297	126,217

Note 7. Current assets – Other

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Prepayments	16,750	14,802	16,750	14,802

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 8. Non-current assets – Receivables

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Loans to controlled entities	-	-	4,935,255	4,935,255
Less: Provision for non-recovery	-	-	4,935,255	4,935,255
	-	-	-	-

Note 9. Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Investments traded on organised markets				
Shares in other corporations - at the lower of cost and recoverable amount	862,689	1,045,582	862,689	1,045,582
Other (non-traded) investments				
Shares in controlled entities - at cost (note 24)	-	-	2,205,010	2,205,010
Less: Provision for write down to recoverable amount	-	-	2,205,010	2,205,010
Shares in controlled entities - at recoverable amount	-	-	-	-
Shares in other corporations - at cost	25,000	-	25,000	-
	887,689	1,045,582	887,689	1,045,582

The market value of traded investments as at 30 June 2003 is \$1,008,889 (2002 - \$2,415,895)

Note 10. Non-current assets – Exploration and evaluation

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Exploration and evaluation				
Exploration and evaluation - at cost less amounts written off	2,417,881	2,361,734	2,417,881	2,361,734

Reconciliations

Reconciliations of the carrying amounts of exploration and evaluation at the beginning and end of the current and previous financial year are set out below.

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Exploration and evaluation				
Carrying amount at 1 July 2002	2,361,734	1,809,438	2,361,734	1,809,438
Expenditure	1,055,244	682,560	1,055,244	682,560
Expenditure written off	(999,097)	(130,264)	(999,097)	(130,264)
Carrying amount at 30 June 2003	2,417,881	2,361,734	2,417,881	2,361,734

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.

Details of the consolidated entity's areas of interest are disclosed on page 47.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 11. Non-current assets – Plant and equipment

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Plant and equipment				
Plant and equipment – at cost	187,744	180,219	187,744	180,219
Less: Accumulated depreciation	(130,399)	108,954	(130,399)	108,954
	57,345	71,265	57,345	71,265

Non-current assets pledged as security

None of the non-current assets are pledged as security by either the parent entity or its controlled entities.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Plant and equipment				
Carrying amount at 1 July 2002	71,265	35,605	71,265	35,605
Additions	7,525	53,170	7,525	53,170
Depreciation expense (note 3)	(21,445)	(17,510)	(21,445)	(17,510)
Carrying amount at 30 June 2003	57,345	71,265	57,345	71,265

Note 12. Current liabilities – Payables

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Trade creditors	32,811	92,902	32,811	92,902
Other creditors	42,579	32,625	42,579	32,625
	75,390	125,527	75,390	125,527

Note 13. Contributed equity

	Notes	Parent entity		Parent entity	
		2003	2002	2003	2002
		Shares	Shares	\$	\$
(a) Share capital					
Ordinary shares					
Fully paid	(b),(c)	110,057,151	109,375,284	4,950,333	4,920,113
Option issue premium	[e(ii)]	-	-	525,963	525,963
		110,057,151	109,375,284	5,476,296	5,446,076

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 13. Contributed equity (continued)**(b) Movements in ordinary share capital**

Date	Details	Notes	Number of shares	Issue price \$	\$
30 June 2001	Opening balance		109,375,284		24,607,664
28 November 2001	Reduction of capital	(e)(i)			(19,687,551)
12 June 2002	Option issue premium	(e)(ii)			546,876
					<u>5,466,989</u>
	Less: Transaction costs arising on option issue				20,913
30 June 2002	Balance		<u>109,375,284</u>		<u>5,446,076</u>
15 July 2002	Share issue to purchase information	(e)(iii)	100,000	0.05	5,000
31 July 2002	Exercise of 2005 options	(e)(iv)	200	0.15	30
3 September 2002	Exercise of 2005 options	(e)(v)	1,667	0.15	250
18 September 2002	Share issue for services rendered	(e)(vi)	580,000	0.043	24,940
30 June 2003	Balance		<u>110,057,151</u>		<u>5,476,296</u>

(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 Glengarry Resources Limited Employee Incentive Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 22.

(e) Details of movements in ordinary share capital

- (i) On 28 November 2001 shareholders approved a reduction of capital of 18 cents per share amounting to \$19,687,551.
- (ii) On 12 June 2002 the company granted 54,687,642 15 cent options expiring 31 March 2005 at a premium of 1 cent per option.
- (iii) On 15 July 2002 the company issued 100,000 fully paid ordinary shares at 5 cents per share to purchase information.
- (iv) On 31 July 2002 the company issued 200 fully paid ordinary shares at 15 cents per share on the exercise of listed options.
- (v) On 3 September 2002 the company issued 1,667 fully paid ordinary shares at 15 cents per share on the exercise of listed options.
- (vi) On 18 September 2002 the company issued 580,000 fully paid ordinary shares at 4.3 cents per share in payment of services rendered.

Note 14. Accumulated losses

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Accumulated (losses) at the beginning of the financial year	(194,493)	(19,903,059)	(194,493)	(19,903,059)
Reduction of capital [note 13(e)(i)]	-	19,687,551	-	19,687,551
Net profit(loss) attributable to members of Glengarry Resources Limited	(1,410,929)	21,015	(1,410,929)	21,015
Accumulated (losses) at the end of the financial year	<u>(1,605,422)</u>	<u>(194,493)</u>	<u>(1,605,422)</u>	<u>(194,493)</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 15. Equity

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Total equity at the beginning of the financial year	5,251,583	4,704,605	5,251,583	4,704,605
Total changes in equity recognised in the statement of financial performance	(1,410,929)	21,015	(1,410,929)	21,015
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	30,220	-	30,220	-
Option issue premium, net of transactions costs	-	525,963	-	525,963
Total equity at the end of the financial year	3,870,874	5,251,583	3,870,874	5,251,583

Note 16. Financial instruments**(a) Credit risk exposures**

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets bearing variable interest rates as the consolidated entity intends to hold fixed rate assets to maturity.

2003	Notes	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial assets				
Cash and deposits	5	524,619	1,683	526,302
Receivables	6	-	40,297	40,297
Other financial assets - investments	9	-	887,689	887,689
		524,619	929,669	1,454,288
Weighted average interest rate		4.42%		
Financial liabilities				
Trade and other creditors	12	-	75,390	75,390
Net financial assets		524,619	854,279	1,378,898
2002				
	Notes	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial assets				
Cash and deposits	5	1,753,810	3,700	1,757,510
Receivables	6	-	126,217	126,217
Other financial assets - investments	9	-	1,045,582	1,045,582
		1,753,810	1,175,499	2,929,309
Weighted average interest rate		4.81%		
Financial liabilities				
Trade and other creditors	12	-	125,527	125,527
Net financial assets		1,753,810	1,049,972	2,803,782

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 16. Financial instruments (continued)**(c) Net fair value of financial assets and liabilities****On-balance sheet**

The net fair value of financial assets and financial liabilities of the consolidated entity approximates their carrying amounts except for investments which have a net fair value of \$1,033,889 (2002 \$2,415,895).

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued at cost or by reference to market prices prevailing at balance date where those market prices are below cost. For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

Note 17. Remuneration of directors

	Directors of entities in the consolidated entity		Directors of parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities.	357,417	335,281	357,417	335,281

The numbers of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

\$	\$	2003	2002
60,000	– 69,999	-	1
100,000	– 109,999	2	-
110,000	– 119,999	-	1
140,000	– 150,000	1	1

Note 18. Remuneration of executives

	Executive officers of the consolidated entity		Executive officers of the parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based executive officers (including directors) whose remuneration was at least \$100,000: Executive officers of the parent entity	142,288	149,408	142,288	149,408

Options are granted to executive officers under the Employee Incentive Scheme, details of which are set out in note 22. A summary of the numbers of options granted to, exercised by and held by Australian-based executive officers (with income of at least \$100,000) during the year ended 30 June 2003 is set out below.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 18. Remuneration of executives (continued)

	Outstanding 30 June 2002	Granted	Exercised	Outstanding 30 June 2003
Australian-based executive officers of the parent entity	-	-	-	-

The amounts disclosed for remuneration of executive officers in this note include the assessed fair values at the date they were granted of options granted to executive officers during the year ended 30 June 2003. Fair values have been independently determined using an appropriate 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 current price 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 number of Australian based executive officers (including directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

\$	\$	Executive officers of the consolidated entity		Executive officers of the parent entity	
		2003	2002	2003	2001
140,000	- 150,000	1	1	1	1

Note 19. Remuneration of auditors

Consolidated		Parent entity	
2003	2002	2003	2002
\$	\$	\$	\$

During the year the auditor of the parent entity and its related practices earned the following remuneration:

PricewaterhouseCoopers - Australian firm

Audit or review of financial reports of the consolidated entity

15,080	13,200	15,080	13,200
---------------	--------	---------------	--------

Note 20. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Consolidated		Parent entity	
2003	2002	2003	2002
\$	\$	\$	\$

Guarantees

Guarantees by Glengarry Resources Limited and Glengarry Mining NL in respect of bank security bonds of controlled entities, secured by registered first mortgages over the assets of Glengarry Resources Limited and Glengarry Mining NL.

104,500	94,500	104,500	94,500
----------------	--------	----------------	--------

Cross guarantees by Glengarry Resources Limited, Glengarry Mining NL, Lymcloud Pty Ltd, Diamantina Resources Pty Ltd and Plural.com Pty Ltd as described in note 25. No deficiencies of assets exist in any of these companies apart from amounts owed to Glengarry Resources Limited and these have been provided against.

Legal claims

During the year ended 30 June 2001 a claim for unspecified damages was lodged by a former employee of Glengarry Mining NL. The company has disclaimed liability and is defending the action. Legal advice indicates that a potential liability may arise.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 21. Commitments for expenditure

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Capital commitments				
Minimum expenditure commitments on mining tenements				
Within one year	728,740	688,648	728,740	688,648
Later than one year but not later than 2 years	798,740	848,648	798,740	848,648
Later than two years but not later than 5 years	2,906,220	2,921,444	2,906,220	2,921,444
	4,433,700	4,458,740	4,433,700	4,458,740

Included in the above commitments is an assessment of expenditure that may be required over a five year period. The commitments may be reduced by tenement withdrawals, concessions, exemptions, reductions and joint venture arrangements with third parties.

Note 22. Employee benefits

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Employee benefit and related on-costs liabilities				
Included in other creditors - current (note 12)	28,658	6,593	28,658	6,593
Aggregate employee benefit and related on-costs liabilities	28,658	6,593	28,658	6,593
Employee numbers				
Number of employees at 30 June 2003	6	5	6	5

Employee Incentive Scheme

The Employee Incentive Scheme ("the Scheme") was approved at the annual general meeting of the company held on 27 November 2002. Directors and employees of Glengarry Resources Limited and its controlled entities are eligible to participate in the Scheme.

The Scheme provides eligible participants with the opportunity to acquire fully paid shares, partly paid shares or options for ordinary shares.

Shares and options are issued on the following terms:

- Eligible participants shall not, unless the directors in their absolute discretion determine otherwise, participate in the Scheme until they have qualified as an Eligible Participant for a period of at least six months.
- The entitlement from time to time of each Eligible Participant shall be determined by the directors in their absolute discretion based on the directors' assessment of the Eligible Participant's length of service with the company, remuneration level, and the contribution the Eligible Participant will make to the long term performance of the company, together with such other criteria as the directors consider appropriate in the circumstances.
- As at the reporting date all offers under the Scheme have been taken up. Accordingly no offers are outstanding.
- The maximum number of securities which may be issued pursuant to the Scheme shall not be greater than 5% of the issued shares of the company, from time to time.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 22. Employee benefits (continued)

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
		\$	Number	Number	Number	Number	Number
Consolidated and parent entity - 2003							
4 April 2003	18 February 2004	0.05	-	500,000	-	-	500,000
Consolidated and parent entity - 2002							
			-	-	-	-	-

No options were exercised during the financial year.

Note 23. Related parties**Directors**

The names of persons who were directors of Glengarry Resources Limited at any time during the financial year are as follows: A T Harris, A J Alston and M J Glasson. All of these persons were also directors during the year ended 30 June 2002.

Remuneration and retirement benefits

Information on remuneration of directors is disclosed in note 17.

Transactions of directors and director-related entities concerning shares or share options

Aggregate numbers of shares and share options of Glengarry Resources Limited acquired or disposed of by directors of the company and consolidated entity or their director-related entities from the company:

	Parent entity and consolidated 2003 Number	2002 Number
Acquisitions		
Options over ordinary shares	-	11,396,250

Employee Incentive Scheme options over ordinary shares

The establishment of the Employee Incentive Scheme was approved by shareholders at the 2002 annual general meeting. The terms and conditions of the scheme are described in note 22. All other transactions relating to shares and options of the company were on the same basis as similar transactions with other shareholders.

Aggregate numbers of shares and share options of Glengarry Resources Limited held directly, indirectly or beneficially by directors of the company or the consolidated entity or their director-related entities at balance date:

	2003 Number	2002 Number
Ordinary shares	16,160,982	15,595,982
Options over ordinary shares	11,396,250	11,396,250

Other transactions of directors and director-related entities

A director, Mr A T Harris, is a director of Havelock Corporate Proprietary, trading as Havelock Partners, Chartered Accountants and Havelock Corporate Services Proprietary. The wife of a director, Mr A T Harris, is a director of Havelock Corporate Services Proprietary and has the capacity to significantly influence decision making of that company. Havelock Corporate Proprietary trading as Havelock Partners has provided taxation services and rented office equipment to Glengarry Resources Limited and its controlled entities on normal commercial terms and conditions. Havelock Corporate Services Proprietary has provided corporate and secretarial services on normal commercial terms and conditions. A director, Mr M J Glasson, is a director of Geobiz Pty Ltd. Geobiz Pty Ltd has provided geological and other services to Glengarry Resources Limited and its controlled entities on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities were as follows:

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 23. Related parties (continued)

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Taxation fees	6,447	10,290	6,447	10,290
Rent of office equipment	2,400	2,400	2,400	2,400
Consulting fees	139,889	115,673	139,889	115,673
Motor vehicle expenses	4,391	-	4,391	-

During the year, Glengarry Resources Limited paid a premium on normal commercial terms and conditions to insure certain officers of the company and its related bodies corporate. The officers of the company covered by the insurance policy include the directors A T Harris, A J Alston, M J Glasson. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate.

Aggregate amounts payable to directors and their director-related entities at balance date:

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current liabilities	17,683	10,118	17,683	10,118

Wholly-owned group

The wholly-owned group consists of Glengarry Resources Limited and its wholly-owned controlled entities: Glengarry Mining NL, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Lymcloud Pty Ltd. Ownership interests in these controlled entities are set out in note 24.

Transactions between Glengarry Resources Limited and other entities in the wholly-owned group during the years ended 30 June 2003 and 30 June 2002 consisted of:

- loans repaid to Glengarry Resources Limited
- transfer of capital gains tax losses to Glengarry Resources Limited to offset capital gains tax gains derived by the company.

There are no fixed terms for the repayment of principal on loans advanced by Glengarry Resources Limited. Interest is not charged on the loans.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:

	Parent entity	
	2003	2002
	\$	\$
Transfer of tax effect of capital gains tax losses for no consideration	62,399	164,183

Aggregate amounts receivable from entities in the wholly-owned group at balance date:

	Parent entity	
	2003	2002
	\$	\$
Non-current receivables (loans)	4,935,255	4,935,255
Less: Provision for non-recovery	4,935,255	4,935,255
	-	-

Controlling entities

The ultimate parent entity in the wholly-owned group is Glengarry Resources Limited.

Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

- Controlled entities – note 24.
- Joint ventures – note 26.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 24. Investment in controlled entities

Name of Entity	Country of incorporation	Class of shares	Equity holding		Cost of parent entity's investment	
			2003	2002	2003	2002
			%	%	\$	\$
Lymcloud Pty Ltd	Australia	Ordinary	100	100	2	2
Plural.com Pty Ltd	Australia	Ordinary	100	100	2	2
Diamantina Resources Pty Ltd	Australia	Ordinary	100	100	5	5
Glengarry Mining NL	Australia	Ordinary	100	100	2,205,001	2,205,001
					2,205,010	2,205,010

The entities have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information see note 25.

Note 25. Deed of cross guarantee

Glengarry Resources Limited, Lymcloud Pty Ltd, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Glengarry Mining NL are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Glengarry Resources Limited, they also represent the 'Extended Closed Group'.

A consolidated statement of financial performance and consolidated statement of financial position for the year ended 30 June 2003 of the Closed Group consisting of Glengarry Resources Limited, Lymcloud Pty Ltd, Plural.com Pty Ltd, Diamantina Resources Pty Ltd and Glengarry Mining NL has not been included because the position is the same as the consolidated statement of financial performance and the consolidated statement of financial position.

Note 26. Interests in joint ventures

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

Joint venture name:	Notes	Parent entity	
		2003	2002
		%	%
Larranganni Joint Venture	1	7.5	7.5
Watts Rise Joint Venture	1	7.5	7.5
Tanami Downs Joint Venture	2	100.0	-

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

Notes

- These interests are free carried and subject to the right of Tanami Gold NL to acquire the interests at market value on completion of a bankable feasibility study. Barrick Gold of Australia Limited earning up to 65% Tanami Gold NL retaining 27.5%.
- Barrick Gold of Australia Limited earning 70%.

Note 27. Events occurring after reporting date

Since 30 June 2003 the company has issued 16,000,000 ordinary shares at 3.2 cents per share to raise \$512,000 in working capital.

The financial effect of the above transaction has not been brought to account at 30 June 2003.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2003 (continued)

Note 28. Segment information

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

Note 29. Reconciliation of profit from ordinary activities after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Operating profit (loss) after income tax	(1,410,929)	21,015	(1,410,929)	21,015
Depreciation and amortisation	21,445	17,510	21,445	17,510
Write down of investments	109,097		109,097	
Reversal of write down of investments	-	(91,067)	-	(91,067)
Net (profit) on sale of non-current assets	(207,996)	(549,344)	(207,996)	(549,344)
Share issues other than cash	24,940	-	24,940	-
Exploration and evaluation expenditure written off	999,097	130,264	999,097	130,264
Reversal of provision for non-recovery on loans to controlled entities		-		(236)
Change in operating assets and liabilities				
Decrease(increase) in other debtors	26,702	(7,572)	26,702	(7,572)
Decrease(increase) in other operating assets	(1,948)	(2,839)	(1,948)	(2,839)
Increase(decrease) in trade creditors	(28,136)	30,448	(28,136)	30,448
Net cash used in operating activities	(467,728)	(451,585)	(467,728)	(451,821)

Note 30. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Acquisition of technical information by the issue of ordinary shares	5,000	-	5,000	-
Acquisition of professional services by the issue of ordinary shares	24,940	-	24,940	-
	29,940	-	29,940	-

Note 31. Earnings per share

	Consolidated	
	2003	2002
	Cents	Cents
Basic earnings per share	(1.283)	0.019
Diluted earnings per share	(1.283)	0.013

	Consolidated	
	2003	2002
	Number	Number

Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.

109,927,473 109,375,284

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.

109,927,473 164,062,926

There are a further 54,687,642 potential ordinary shares (options) not considered to be dilutive.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 23 to 44:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance the Corporations Act 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; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.

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

A T Harris

Director

Perth

2 September 2003



PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Independent audit report to the members of Glengarry Resources Limited

Audit opinion

In our opinion, the financial report of Glengarry Resources Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Glengarry Resources Limited and the Glengarry Resources Group (defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Glengarry Resources Limited (the company) and the Glengarry Resources Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)



We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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

PricewaterhouseCoopers

Nick Henry
Partner

Perth
2 September 2003

MINERAL RESOURCES

Definition of terms

Ore reserves are reported in accordance with the "Australian Code for Reporting of Identified Mineral Resources and Ore Reserves" as published by the Australian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia and by the Australian Stock Exchange Limited.

Indicated and inferred resources

The consolidated entity's estimates of resources, including its interest in mineral resources of joint ventures, are as follows:

			Inferred		Indicated	
	Location	Interest %	,000 tonnes	average grade (g/t)	,000 tonnes	average grade (g/t)
Great Britain	Queensland	100	1,974	1.07	1,683	1.72
Gunga West	Coolgardie	100	320	2.60	700	1.90

Any apparent errors are due to rounding.

MINING TENEMENT INTERESTS

Project	Tenements	Area (km ²)	Interest	JV Partner(s)	Operator
GOLD - BASE METAL PROJECTS					
Queensland					
Diamantina	1 EPM 9 EPM(A)'s	12,093	100%		
Cannington	3 EPM's 5 EPM's	846	100%		
Greenvale-Big Mag	4 EPM(A)'s 1 MDL	2,237	100%		
Sybella	1 EPM(A)	320	100%		
GOLD PROJECTS					
Queensland					
Charters Towers	4 EPM's 1 EPM(A)	429	100%		
Avon Downs	1 EPM(A)	207	100%		
Western Australia					
Larranganni - Watts Rise Joint Venture	9 EL's 1 EL(A)	1,318	7.5% *	Barrick Gold of Australia Limited/ Tanami Gold NL	Barrick Gold of Australia Limited
Mt Junction	1 EL	174	100%		
Lewis Range	1 EL(A)	96	100%		
Coolgardie	6 ML's 10 PL's 9 ML(A)'s	10	100%		
Northern Territory					
Tanami Downs Joint Venture	1 EL(A)	177	100% **	Barrick Gold of Australia Limited	Barrick Gold of Australia Limited
Inningarra	1 EL(A)	193	100%		
Tasmania					
Yolande River	1 EL	64	100%		
PLATINUM - PALLADIUM PROJECTS					
Queensland					
Westwood	1 EPM	47	100%		
Western Australia					
Yalgoo	1 PL(A)	1	100%		

* Subject to Sale Agreement with Tanami Gold NL dated 7 September 2000

** Subject to Farm-in and Joint Venture Agreement with Barrick Gold of Australia Limited dated 29 August 2002

EL Exploration Licence (WA, NT and Tasmania)

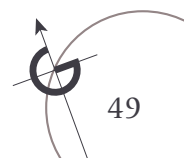
EPM Exploration Permit for Minerals (Qld)

MDL Mineral Development Licence (Qld)

ML Mining Lease (WA)

PL Prospecting Licence (WA)

(A) Pending application



SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 29 August 2003.

A. 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	160	35
1,001 - 5,000	843	184
5,001 - 10,000	595	78
10,001 - 100,000	1,051	141
100,001 and over	192	64
	2,841	502

(b) There were 1,699 holders of less than a marketable parcel of ordinary shares.

B. 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:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Brodrick Nominees Pty Ltd	7,394,399	5.86
Tanami Gold NL	4,435,862	3.52
Resolution Investments Pty Ltd	4,395,449	3.49
S C Biggs Pty Ltd	2,695,000	2.14
Bretred Pty Ltd	2,594,773	2.06
National Australia Trustees Limited	2,544,800	2.02
H Szalacki	2,300,000	1.82
Lyandra Pty Ltd	2,300,000	1.82
L J Harris	2,038,004	1.62
S T Biggs	1,562,500	1.24
J K Beckerson	1,500,000	1.19
Corporate Advisors Australia Pty Ltd	1,250,000	0.99
Jacqueline Kay Pty Ltd	1,200,000	0.95
P A J Ingram	1,117,501	0.89
M Thom	1,100,000	0.87
H V Ashcroft	1,012,334	0.80
Parkes Holdings Pty Ltd	1,000,000	0.79
Autotrans Express Pty Ltd	1,000,000	0.79
Yandal Investments Pty Ltd	952,381	0.76
G R Gatti	900,000	0.71
	43,293,003	34.33

SHAREHOLDER INFORMATION (continued)

Name	31 March 2005 options	
	Number held	Percentage of issued options
Resolution Investments Pty Ltd	6,063,951	11.09
S C Biggs Pty Ltd	4,000,000	7.31
Brodrick Nominees Pty Ltd	3,697,199	6.76
Tarney Holdings Pty Ltd	3,000,000	5.48
Jemaya Pty Ltd	2,500,000	4.57
Tanami Gold NL	2,217,931	4.05
Bretred Pty Limited	2,011,542	3.68
HSBC Custody Nominees (Australia) Limited	2,000,000	3.66
A E Glasson	1,500,000	2.74
K Wolpers	1,050,000	1.92
National Australia Trustees Limited	1,045,000	1.91
L J Harris	1,000,000	1.83
J C Desille	930,000	1.70
D E Brown	756,666	1.38
Lyandra Pty Ltd	750,000	1.37
Lawrence Crowe Consulting Pty Ltd	749,999	1.37
I M P Parker & C S Parker	613,161	1.12
R J Donoghue	600,000	1.10
Jacqueline Kay Pty Ltd	600,000	1.10
B Brown	600,000	1.10
	35,685,449	65.24

C. Substantial shareholders

Substantial shareholders in the company are set out below:

Ordinary shares	Number held	Percentage
A T Harris (associate)	12,567,548	9.97
Brodrick Nominees Pty Ltd	7,394,399	5.87

D. Voting rights

The voting rights attaching to each class of shares are set out below:

Ordinary shares:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

NOTES

