



G L E N G A R R Y

ABN 40 009 468 099

**HALF-YEAR REPORT
31 DECEMBER 2003**

Glengarry Resources Limited
Half-year report - 31 December 2003

Contents	Page
Company particulars	3
Directors' report.....	4
Consolidated statement of financial performance	8
Consolidated statement of financial position.....	9
Consolidated statement of cash flows.....	10
Notes to the consolidated financial statements	11
Directors' declaration.....	13
Independent review report to the members.....	Insert

Glengarry Resources Limited

Half-year report - 31 December 2003

Company particulars

Directors

A T Harris, FCA
Chairman

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

A J Alston, BSc (Geol), MAusIMM, MAIG
Exploration Director

M J Glasson, BSc (Hons), MSc, FAusIMM
Director

Secretary

A T Harris, FCA

Share register

Advanced Share Registry Services
Level 7
200 Adelaide Terrace
East Perth 6004
(08) 9221 7288

Auditor

PricewaterhouseCoopers
Chartered Accountants
"QV1"
250 St Georges Terrace
Perth 6000

Solicitors

Mark R Edwards
4 Kangaroo Parade
Yallingup 6282

Bankers

Australia and New Zealand Banking Group Limited
77 St George's Terrace
Perth 6000

Stock exchange listings

Glengarry Resources Limited shares and options
are listed on the Australian Stock Exchange

- Ordinary fully paid shares (ASX Code GGY)
- Options exercisable at 15 cents
on or before 31 March 2005 (ASX Code GGYOA)

Principal registered office in Australia

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West Perth 6005
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Email info@glengarrynl.com.au
WebSite www.glengarrynl.com.au

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Glengarry Resources Limited

Half-year report - 31 December 2003

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 half-year ended 31 December 2003.

Directors

The following persons were directors of Glengarry Resources Limited during the whole of the half-year and up to the date of this report: A T Harris, A J Alston and M J Glasson.

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

Review of operations

A summary of consolidated revenues and results for the half-year is set out below:

	Revenues		Results	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sale of non-current assets	1,127,449	469,784	355,702	208,184
Other	<u>60,284</u>	<u>49,632</u>	<u>(729,370)</u>	<u>(461,198)</u>
	<u>1,187,733</u>	<u>519,416</u>		
Profit(loss) from ordinary activities before income tax expense			(373,668)	(253,014)
Income tax expense			-	-
Net profit(loss) attributable to members of Glengarry Resources Limited			<u>(373,668)</u>	<u>(253,014)</u>

Glengarry Resources Limited continued to explore its portfolio of gold and base metal projects during the second half of 2003. Drill programs were carried out at Diamantina and Cannington with further work warranted on both properties. A review of the company's objectives and strategies was completed in late 2003 and exploration in the first half of 2004 will concentrate on priority gold targets at Charters Towers and Yolande River. Comments on individual projects are set out below:

1.0 Gold Projects

1.1 Charters Towers Project, North East Queensland (Glengarry 100%)

A technical review of the Charters Towers project has confirmed its potential to host several styles of economic gold mineralisation including narrow high grade quartz veins and bulk tonnage, low – medium grade gold deposits.

The Puzzler/Dogmatix area located east of Charters Towers has been highlighted as being very prospective. Wide spread gold and pathfinder element anomalism has been recorded spatially associated with a linear, NNE trending granodiorite intrusion. Mapping has delineated 4 target areas with potential to host significant mineralisation. Rock chip sampling has recorded up to

Glengarry Resources Limited

Half-year report - 31 December 2003

12.1 g/t gold, 94 g/t silver, 7570 ppm arsenic and 4.4% lead from a narrow, NNW trending, sub vertical quartz vein in one of these areas. Previous nearby drilling is vertical or oriented sub parallel to the vein and has not tested the mineralised trend.

Soil sampling at Puzzler West has delineated a coherent 250 by 500 m anomaly with values up to 144 ppb gold. The anomaly is open to the north and south and further work is required to determine the limits of the mineralised zone. There has been no previous drilling in the prospect area; however, prior rock chip sampling has recorded up to 8.5 g/t gold.

A drill program to test targets in the Puzzler/Dogmatix area is scheduled for the first quarter of 2004. Drilling will also be completed at Southern Cross located 15 km SW of Charters Towers where high grade intersections (i.e. up to 1 m @ 23.4 g/t Au) remain open along strike and down dip.

1.2 Yolande River Project, Western Tasmania (Glengarry 100%)

Initial field reconnaissance was carried out on the Yolande River project in December 2003. The project was acquired earlier in the year due to its similarity and proximity to the 1 Moz, high grade, Henty gold deposit currently being mined by Placer Dome approximately 20 km to the north. The project is also immediately west of the +300 million tonne Mt Lyell copper-gold deposit.

The main target zone is a previously unexplored, stratigraphic repeat of the Henty mine horizon that has been interpreted from aeromagnetic data. The Henty horizon is coincident with the contact between the the Tyndall Group and the Central Volcanic Complex of the Mt Read Volcanics. The base of the Tyndall Group is marked by a distinct magnetic sedimentary/volcanic horizon known as the Lynchford Tuff. The reconnaissance at Yolande River confirmed that the 6 km long, magnetic horizon interpreted as the base of the Tyndall Group is a similar unit to the Lynchford Tuff. Gridding and soil sampling will commence across the prospective stratigraphy during the first quarter of 2004.

Reconnaissance traverses were also completed across the Diamond Hill and Madam Howards prospects where previous stream sampling had delineated moderate to strong gold anomalism. At Diamond Hill historic adits are associated with quartz veining grading up to 18 g/t gold while soil sampling at Madam Howards returned up to 55 ppb gold close to gossanous subcrop. The potential of both prospects to host economic mineralisation is probably limited due to size constraints; however, follow up is required to adequately assess the anomalies.

1.3 Tanami/Granites – Western Australia and Northern Territory

Larranganni Joint Venture, WA (Glengarry 7.5%)

The Larranganni project is the subject of a joint venture between Tanami Gold NL and operator Barrick Gold of Australia Ltd (Barrick).

Barrick carried out an extensive air core drilling program between May and September 2003 with 677 holes drilled for a total of 65,871 m. The drilling was designed to follow up numerous bedrock anomalies generated in 2002. Wide spread anomalism was recorded; however, no ore grades were intercepted. Barrick is reviewing the 2003 data prior to planning the 2004 field season.

Glengarry Resources Limited

Half-year report - 31 December 2003

Tanami Downs Joint Venture, NT (Glengarry 100%, Barrick earning 70%)

The first Traditional Owner meeting to discuss the exploration proposal for the Tanami Downs tenement was attended by Barrick in November 2003. The Central Land Council (CLC) will advise Barrick whether the Traditional Owners wish them to negotiate on their behalf after the next full council meeting to be held in March 2004.

1.4 Coolgardie, Western Australia

A technical review of the Coolgardie Project indicated limited potential for the discovery of an economic gold deposit that would meet Glengarry's corporate requirements. The project was advertised for sale and was purchased by Kurrawang Resources for \$150,000. The funds will be applied to Glengarry's other exploration projects in Australia.

2.0 Base Metal – Gold and PGE Projects

2.1 Diamantina Project, SW Queensland (Glengarry 100%)

Mirrica Bore EPM 13746

First pass, reconnaissance aircore drilling was undertaken on the Mirrica Bore tenement. The drilling was designed to provide bedrock information for the MB1, MB2 and MB5 prospects where previous surface, geochemical sampling had recorded moderately anomalous gold assays. A total of 21 holes for 1399 m were completed; unfortunately, difficult access conditions meant that only the eastern most MB2 anomaly could be adequately tested with no holes drilled into the best gold anomaly at MB1 and only 3 holes drilled at MB5.

At MB2, Proterozoic granitic rocks were intersected beneath approximately 50 – 80 m of younger sedimentary cover. No anomalous geochemical results were returned and the source of the elevated gold values in soils remains unexplained.

Drilling at MB5 failed to penetrate the transported cover; however, most of the anomaly could not be tested due to the inability of the rig to negotiate sandy conditions which also prevented any drilling at MB1. The MB1 anomaly is considered the highest priority target within the Mirrica Bore tenement due to the coherent nature of the soil geochemistry and the likely shallow depth to basement.

Follow up drilling is warranted on the Mirrica Bore tenement; however, higher priority targets on other projects means that future drilling is unlikely be completed until the second half of 2004.

Diamantina Regional

A prospectivity review of other tenement applications comprising the Diamantina project was completed. The main assessment criteria was the depth of cover which determines the ability of Glengarry to effectively explore the project. Most of the applications have been withdrawn and the total project area including Mirrica Bore reduced to approximately 6,400 km².

Glengarry Resources Limited

Half-year report - 31 December 2003

2.2 Cannington Project, Western Queensland (Glengarry 100%)

Dolly Pot

Detailed analysis of publicly available data identified the Dolly Pot area, located approximately 8 km SW of the Cannington Mine, as being highly prospective. Previous drilling indicated that transported cover was shallower than elsewhere in the Project and geophysical data suggested several prospect areas with similar settings to the Cannington deposit.

Following negotiation of an access agreement with the local Native Title claimants (the Yulluna People), a program of soil sampling, ground magnetics and prospecting was completed. This confirmed several targets warranting drilling and a RC/aircore program of 16 holes totalling 851 m was carried out in December 2003.

Drilling intersected moderate to strong alteration and moderate copper anomalism (up to 1905 ppm) at several of the prospects; however, no ore grades were recorded. The drilling; however, does indicate the potential for a large, hydrothermal mineralised system and further work is warranted.

Cannington Regional

A prospectivity review similar to that undertaken for the Diamantina Project was completed for Cannington. Several areas were relinquished and the project area reduced to 633 km².

2.3 Greenvale Project, NE Queensland (Glengarry 100%)

Limited exploration was completed on the Greenvale Project during the second half of 2003 due to priorities on other projects. The project is still considered very prospective for gold and base metals due to its proximity to the Kidston and Balcooma deposits. Previous exploration by Glengarry and an initial review of open file geochemical and geophysical data indicate several areas warranting follow up field work. A detailed data compilation is planned to document and rank the target areas.

2.4 Westwood Project, Eastern Australia (Glengarry 100%)

Attempts continue to find a joint venture partner for the Westwood project.

2.5 Mt Isa Projects, Western Queensland (Glengarry 100%)

Glengarry has two tenement applications in the Mt Isa Province in western Queensland; i.e. Snake Creek and Mt Guide. Previous exploration has delineated gold and base metal anomalies on both of these properties that appear to warrant further exploration. Exploration will commence once the tenements are granted and access agreements negotiated.

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



D R Richards
Managing Director

Perth
5 March 2004

Glengarry Resources Limited
Half-year report - 31 December 2003

Consolidated statement of financial performance
For the half-year ended 31 December 2003

	Half-year	
	2003	2002
	\$	\$
Revenue from operating activities	5,730	12,985
Revenue from outside the operating activities	1,182,003	506,431
Revenue from ordinary activities	1,187,733	519,416
Employee benefits expense	(108,517)	(65,908)
Depreciation and amortisation expenses	(11,458)	(10,554)
Carrying amount of non-current assets sold	(771,747)	(261,600)
Exploration write downs	(429,819)	(134,663)
Investment write downs	-	(29,894)
Consultancy costs	(51,527)	(87,689)
Shareholder expenses	(25,322)	(39,201)
Accommodation expenses	(24,925)	(28,079)
Insurances	(42,729)	(15,513)
Travel expenses	(17,600)	(14,327)
Computer operations	(2,097)	(12,227)
Other expenses from ordinary activities	(75,660)	(72,775)
Profit(loss) from ordinary activities before income tax expense	(373,668)	(253,014)
Income tax expense	-	-
Net profit(loss)	(373,668)	(253,014)
Total changes in equity other than those resulting from transactions with owners as owners	(373,668)	(253,014)
	Cents	Cents
Basic earnings(loss) per share	(0.31)	(0.23)
Diluted earnings(loss) per share	(0.31)	(0.23)

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

Glengarry Resources Limited
Half-year report - 31 December 2003

Consolidated statement of financial position
As at 31 December 2003

	Note	31 December 2003 \$	30 June 2003 \$
Current assets			
Cash assets		92,963	526,302
Receivables	4	1,357,675	40,297
Other		-	16,750
Total current assets		<u>1,450,638</u>	<u>583,349</u>
Non-current assets			
Plant and equipment		61,038	57,345
Exploration and evaluation		2,287,712	2,417,881
Other financial assets - investments		337,850	887,689
Total non-current assets		<u>2,686,600</u>	<u>3,362,915</u>
Total assets		<u>4,137,238</u>	<u>3,946,264</u>
Current liabilities			
Payables		140,301	75,390
Total current liabilities		<u>140,301</u>	<u>75,390</u>
Total liabilities		<u>140,301</u>	<u>75,390</u>
Net assets		<u>3,996,937</u>	<u>3,870,874</u>
Equity			
Parent entity interest:			
Contributed equity		5,976,027	5,476,296
Accumulated losses		<u>(1,979,090)</u>	<u>(1,605,422)</u>
Total equity		<u>3,996,937</u>	<u>3,870,874</u>

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

Glengarry Resources Limited
Half-year report - 31 December 2003

Consolidated statement of cash flows
For the half-year ended 31 December 2003

	Half-year	
	2003	2002
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	61,411	92,582
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(339,136)</u>	<u>(396,381)</u>
	(277,725)	(303,799)
Interest received	27,395	38,326
Dividends received	<u>4,843</u>	<u>-</u>
Net cash inflow(outflow) from operating activities	<u>(245,487)</u>	<u>(265,473)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(15,151)	(5,853)
Exploration and evaluation expenditure	(442,381)	(683,343)
Payments for investments	(50,000)	(227,294)
Payments for security deposits	(7,500)	-
Proceeds from sale of non-current assets	<u>1,127,449</u>	<u>564,965</u>
Net cash inflow(outflow) from investing activities	<u>612,417</u>	<u>(351,525)</u>
Cash flows from financing activities		
Proceeds from issues of shares	<u>499,731</u>	<u>280</u>
Net cash inflow from financing activities	<u>499,731</u>	<u>280</u>
Net increase(decrease) in cash held	866,661	(616,718)
Cash at the beginning of the reporting period	<u>526,302</u>	<u>1,757,510</u>
Cash at the end of the reporting period	<u>1,392,963</u>	<u>1,140,792</u>

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

Glengarry Resources Limited

Half-year report - 31 December 2003

Notes to the consolidated financial statements For the half-year ended 31 December 2003

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Glengarry Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Note 2. Segment information

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

Note 3. Profit(loss) from ordinary activities after income tax

	Half-year	
	2003	2002
	\$	\$
Profit(loss) from ordinary activities after related income tax expense includes the following items of revenue and expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:		
Sale of non-current assets - Investments		
Revenue - cash consideration	977,449	469,784
Expense - carrying amount of investments sold	621,747	261,600
Gain on sale	355,702	208,184
Sale of non-current assets - Tenements		
Revenue - cash consideration	150,000	-
Expense - carrying amount of tenements sold	150,000	-
Gain on sale	-	-
Total gain on sale	355,702	208,184

Glengarry Resources Limited
Half-year report - 31 December 2003

Notes to the consolidated financial statements
For the half-year ended 31 December 2003

Note 4. Receivables

	31 December 2003	30 June 2003
	\$	\$
Bills of exchange	1,300,000	-
Other debtors	57,675	40,297
	<u>1,357,675</u>	<u>40,297</u>

Note 5. Equity securities issued

	Half-year		Half-year	
	2003	2002	2003	2002
	shares	shares	\$	\$
Placement of shares	16,000,000	-	499,731	-
Exercise of options	-	1,867	-	280
Issued for services rendered	-	580,000	-	24,940
Issued for technical information	-	100,000	-	5,000
	<u>16,000,000</u>	<u>681,867</u>	<u>499,731</u>	<u>30,220</u>

Note 6. Contingent liabilities

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

	Consolidated	
	31 December 2003	30 June 2003
	\$	\$
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.	102,000	104,500

Glengarry Resources Limited, Glengarry Mining NL, Lymcloud Pty Ltd, Diamantina Resources Pty Ltd and Plural.com Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these companies apart from amounts owed to Glengarry Resources Limited and these have been provided against.

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

Note 7. Event occurring after reporting date

On 18 February 2004 the company issued 250,000 ordinary shares fully paid at 5 cents per share on the exercise of 250,000 options issued under the company's Employee Incentive Scheme.

Glengarry Resources Limited
Half-year report - 31 December 2003

Directors' declaration

The directors declare that the financial statements and notes set out on pages 8 to 12:

- 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 consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- b) there are reasonable grounds to believe that Glengarry Resources Limited will be able to pay its debts as and when they become due and payable.

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



D R RICHARDS
Managing Director

Perth
5 March 2004

Independent review report to the members of Glengarry Resources Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Glengarry Resources Limited (the Company) for the half-year ended 31 December 2003 included on Glengarry Resources Limited web site. The Company's directors are responsible for the integrity of the Glengarry Resources Limited's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide any assurance on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Glengarry Resources Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Glengarry Resources Group (defined below) as at 31 December 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review 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 the Glengarry Resources Group (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises both Glengarry Resources Limited (the company) and the entities it controlled during that half-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.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing the directors' report, our procedures include reading the directors' report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers



Nick Henry
Partner

Perth
5 March 2004