

Annual Report 2004
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 2004.

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 and A J Alston

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

I J Gordon was appointed a director on 19 March 2004 and continues in office at the date of this report.

K G McKay was appointed a director on 25 August 2004 and continues in office at the date of this report.

M J Glasson was a director from the beginning of the financial year until his resignation on 19 March 2004.

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	
	2004	2003	2004	2003
	\$	\$	\$	\$
Sale of non-current assets	1,691,526	479,086	790,604	207,996
Other ordinary activities	79,263	75,950	(1,307,417)	(1,618,925)
	<u>1,770,789</u>	<u>555,036</u>		
Profit(loss) from ordinary activities before related income tax expense			(516,813)	(1,410,929)
Income tax expense			-	-
Profit(loss) from ordinary activities after related income tax expense attributable to members of Glengarry Resources Limited			<u>(516,813)</u>	<u>(1,410,929)</u>

A review of operations of the consolidated entity is set out in the separate section titled "Review of operations and activities" on pages 5 to 12.

Earnings per share

	2004	2003
	Cents	Cents
Basic earnings per share	(0.418)	(1.283)
Diluted earnings per share	(0.418)	(1.283)

Significant changes in the state of affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Matters subsequent to the end of the financial year

On 23 August 2004 the company announced a one for four pro rata non-renounceable entitlements issue of ordinary shares at 3.5 cents per share which, if fully subscribed, will result in the issue of approximately 31,576,787 new shares and raise approximately \$1,105,187.



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

Except for the matter discussed above, no matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

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

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 (Western Australia), the Mineral Resources Act 1989 (Queensland) and the Mineral Resources Development Act 1999 (Tasmania) depending on the activities being undertaken. The company is currently engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a 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 laws or 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 12 years and Chairman for 8 years. Age 66. Chartered accountant with 26 years experience in the mining industry.	Chairman	12,567,548	10,000,000
Executive directors				
A J Alston ** BSc, MAusIMM, MAIG	Executive director for 3 years following 4 years as non-executive director. Age 57. Geologist with 32 years experience in the mining industry.	Exploration Director	3,413,934	1,345,000
D R Richards BSc (Hons), MAIG	Managing director appointed 1 September 2003. Age 43. Former Chief Geologist, New Projects Australia of Auriongold Limited.	Managing Director	450,000 ***	1,000,000
Non-executive directors				
I J Gordon BComm (Corporate Administration)	Independent non-executive director appointed 19 March 2004. Age 38. Former Manager - Land Access of Gold Fields Australia Pty Ltd and Business Analyst - Project Generation of Auriongold Ltd.	-	100,000	-
K G McKay BSc (Hons), FAusIMM	Independent non-executive director appointed 26 August 2004. Age 58. Geologist with 36 years experience in the mining industry. Chairman of Gindalbie Gold NL, former Managing Director of Gallery Gold Limited, former Managing Director/Vice President of Battle Mountain (Aust.) Inc	-	-	-

* A T Harris receives corporate and secretarial fees and is therefore not independent.

** A J Alston has served notice on the company that he will resign as a director on 17 September 2004.

*** The total of 450,000 shares includes 250,000 shares issued on the exercise of options granted under the Employee Incentive Scheme and held in the name of W L Richards, the wife of D R Richards.



DIRECTORS' REPORT (continued)**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 2004, 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
D R Richards	5
I J Gordon (appointed 19 March 2004)	2
M J Glasson (resigned 19 March 2004)	3

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 T Harris is the director retiring by rotation who, being eligible, offers himself for re-election.

Mr I J Gordon was appointed a director on 19 March 2004. In accordance with the Constitution Mr I J Gordon retires as a director at the annual general meeting and, being eligible, offers himself for re-election.

Mr K G McKay was appointed a director on 26 August 2004. In accordance with the Constitution Mr K G McKay retires as a director at the annual general meeting and, being eligible, offers himself for re-election.

Remuneration report

Details of the remuneration of directors and executives are set out in note 17.

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
<i>Directors</i>	
D R Richards, Managing Director	1,000,000

Shares under option

Unissued ordinary shares of Glengarry Resources Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
12 June 2002	31 March 2005	\$0.15	54,685,775
8 March 2004	8 March 2006	\$0.05	600,000
8 March 2004	18 February 2005	*	500,000
8 March 2004	18 February 2006	**	500,000
			56,285,775

* The greater of 10 cents per share or 80% of market value calculated in accordance with the terms and conditions of the Employee Incentive Scheme.

** The greater of 15 cents per share or 80% of market value calculated in accordance with the terms and conditions of the Employee Incentive Scheme.

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



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Shares issued on the exercise of options

The following ordinary shares of Glengarry Resources Limited were issued during the year ended 30 June 2004 on the exercise of options granted under the Employee Incentive Scheme. 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 of shares issued
4 April 2003	\$0.05	<u>250,000</u>

Insurance of officers

During the financial year, Glengarry Resources Limited paid a premium of \$24,975 to insure the directors and secretary of the company.

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

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.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit services provided during the year are set out below. No amounts were paid to the auditor for non-audit services.

A copy of the auditors' independence declaration is set out on page 17.

	Consolidated	
	2004	2003
	\$	\$
During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:		
Assurance services		
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	<u>15,715</u>	15,080
Total remuneration for audit services	<u>15,715</u>	<u>15,080</u>

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.

D R Richards
 Managing Director
 Perth
 16 September 2004



Auditor's independence declaration

As lead auditor for the audit of Glengarry Resources Limited for the year ended 30 June 2004,
I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Nick Henry
Partner

Perth
16 September 2004



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 completed 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. Changes to the company's governance arrangements made in the course of the last year, particularly introduction of the CEO (Chief Executive Officer) and CFO (Chief Financial Officer) certifications, are highlighted in this statement. 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. 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.

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 and senior executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

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 broad principles set out in its charter which is available from the corporate governance information section of the company website at www.glengarrynl.com.au. The charter details the board's composition and responsibilities.

Board composition

The charter states:

- 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.
- in recognition of the importance of independent views and the board's role in supervising the activities of management the Chairman should be an independent non-executive director, the majority of the board should be independent of management and all directors are required to bring independent judgement to bear in their board decision making.
- the Chairman is elected by the full board and is required to meet regularly with the Managing Director.
- 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 is encouraged to own shares in the company.

The extent to which the company does not comply with the above Charter is set out in the non-compliance statement on page 24.

Responsibilities

The responsibilities of the board include:

- providing strategic guidance to the company including 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 (see page 23).
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments.



Responsibilities (continued)

- 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.
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO 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.
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

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 three non-executive directors, two of whom are deemed independent under the principles set out below, and two executive directors at the date of signing the directors' report.

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 be 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 have been employed in an executive capacity by the company or any other group member, or been a director after ceasing to hold any such employment.
- within the last three years, not have been a principal of a material professional adviser or a material consultant to the company or any other group member, or an employee materially associated with the service provided.

- not be a material supplier or customer of the company or any other group member, 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 have 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.
- be free from any interest and any business or other relationship 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. For this reason, Mr Harris, although meeting other criteria and bringing independent judgement to bear in his role, is not defined as an independent director. The board will continue to monitor developments on this issue.

Term of office

The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election subject to the following limitations:

- no non-executive director may serve more than five terms (fifteen years), and
- on attaining the age of 70 years a director will retire, by agreement, at the next AGM and will not seek re-election.



Chairman and Chief Executive Officer (CEO)

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives.

The CEO 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 2004, and the number of meetings attended by each director is disclosed on page 15.

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 2004.

The commitments of non-executive directors are considered by the nomination committee 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 17 to the financial statements. In accordance with the board charter 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, the performance of the Chairman and of its committees. Management are invited to contribute to this appraisal process which is facilitated by an independent third party. The results and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman undertakes an annual self assessment of the performance of individual directors and meets privately with each director to discuss this assessment. Descriptions of the process for performance assessment for the board and senior executives are available on the company website.

Corporate reporting

The Managing Director and the Company Secretary, acting in the capacity of the CFO, have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

The company adopted this reporting structure for the year ended 30 June 2004.

Board committees

The board acts in the capacity of a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Currently, excepting the Managing Director, the board acts in the capacity of the nomination, remuneration and audit committees.



Board committees (continued)

Each board committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website.

Minutes of board committee meetings are tabled at the immediately subsequent board meeting.

Nomination committee

The board (except for the Managing Director), acting in its capacity as the nomination committee, operates in accordance with its charter which is available on the company website.

The main responsibilities of the 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 and conclude on the independence of each director.
- 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 a new director is to be appointed, the committee 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 search consultants.

The board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the company. The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the company and the current and future needs of the board and company.

Details of the nomination, selection and appointment processes are available on the company website.

Notices of meeting for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

New directors are provided with a letter of appointment setting out the company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new directors participate in a comprehensive, formal induction program which covers the operation of the board and its committees and financial, strategic, operations and risk management issues.

Remuneration committee

The board (except for the Managing Director), acting in its capacity as the remuneration committee operates in accordance with its charter which is available on the company website. The remuneration committee determines remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The role of this committee is defined in greater detail in note 17 to the financial statements.

Board members may receive regular briefings from an external remuneration expert on recent developments on remuneration and related matters.

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 remuneration committee on an annual basis and, where necessary is revised in consultation with the relevant employee.

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

The remuneration committee'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 committee 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.



Board committees (continued)***Audit committee***

The board (except for the Managing Director), acting in its capacity as the audit committee, has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit committee operates in accordance with a charter which is available on the company website. The main responsibilities of the committee 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.
- oversee the Group's transition to International Financial Reporting Standards (IFRS) - note 1 (s).
- determine matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management, the external auditors and the IFRS transition project team.
- appoints a representative to meet with the external auditors at least twice a year or more frequently if necessary.
- reviews the processes the CEO and the person acting in the capacity of the CFO have in place to support their certifications to the board.
- 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 audit committee 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. The company is reviewing this policy with PricewaterhouseCoopers in view of the Government's intention to legislate for a five year rotation requirement.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 18 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk assessment and management

The board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the company website. In summary, the company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.



Risk assessment and management (continued)

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 and the operation of the risk management and compliance system is managed by the board. The board assesses material risks that may impede meeting business objectives.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues. The board reports on the key business risks. The basis for this report is a half-yearly review of the past performance of the company's activities and the current and future risks the company faces. The review is undertaken by the board away from the day to day pressure of their operational activities.

In addition the board requires that each major proposal submitted to the board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

The environment, health and safety management system (EHSMS)

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 this objective allows the company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

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

Code of Conduct

The company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the board and apply to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of 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 is discussed with each new employee as part of their induction training and all employees are asked to sign an annual declaration confirming their compliance.

The Code requires 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 the trading policy are available on the company's website.

Continuous disclosure and shareholder communication

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the company website.



Continuous disclosure and shareholder communication (continued)

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.

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 report. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases for the last three years, and financial reports for the last 2 years available on the company's website.

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 duties of the Managing Director prior to this appointment were delegated to the directors.
- Only two of the directors meet the definition of "independent director".
- The full board acts in the capacity of the nomination, remuneration and audit committees.
- The company has not complied with the "performance assessment" 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 the availability of resources for exploration.
- The board of directors comprises five directors, three of whom are active in the management of the company thereby effecting substantial savings in the costs of administration of the company.
- The minimisation of organisational structures allows the company to respond quickly to opportunities and expedite the outcome of complex managerial issues.
- The company recognises the importance of proper corporate governance and notwithstanding its size and limited resources, has endeavoured to meet the principles of good corporate governance and best practice recommendations set by the ASX Corporate Governance Council.



Glengarry Resources Limited
FINANCIAL REPORT – 30 JUNE 2004

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

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

Glengarry Resources Limited
35 Havelock Street
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 5 - 12 and in the directors' report on pages 13 - 16, which are not part of this financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.glengarrynl.com.au.

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



STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenue from ordinary activities	2	1,770,789	555,036	1,770,789	555,036
Employee benefits expense	3	(223,402)	(138,004)	(223,402)	(138,004)
Depreciation and amortisation expenses	3	(20,537)	(21,445)	(20,537)	(21,445)
Write down of exploration and evaluation	3	(734,797)	(999,097)	(734,797)	(999,097)
Write down of investments	3	(27,908)	(109,097)	(27,908)	(109,097)
Carrying amount of non-current assets sold		(900,922)	(271,090)	(900,922)	(271,090)
Consultancy costs		(84,143)	(130,993)	(84,143)	(130,993)
Insurance costs		(39,781)	(32,436)	(39,781)	(32,436)
Rent of premises		(39,077)	(56,535)	(39,077)	(56,535)
Shareholder expenses		(26,319)	(29,963)	(26,319)	(29,963)
Other expenses from ordinary activities		(190,716)	(177,305)	(190,716)	(177,305)
Profit(loss) from ordinary activities before related income tax expense	3	(516,813)	(1,410,929)	(516,813)	(1,410,929)
Income tax expense	4	-	-	-	-
Net profit(loss)		(516,813)	(1,410,929)	(516,813)	(1,410,929)
Total changes in equity attributable to members of Glengarry Resources Limited other than those resulting from transactions with owners as owners	15	(516,813)	(1,410,929)	(516,813)	(1,410,929)
		Cents	Cents		
Basic earnings per share	29	(0.418)	(1.283)		
Diluted earnings per share	29	(0.418)	(1.283)		

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



STATEMENTS OF FINANCIAL POSITION

As at 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Current assets					
Cash assets	5, 16	227,197	526,302	227,197	526,302
Receivables	6, 16	1,042,135	40,297	1,042,135	40,297
Other	7	19,821	16,750	19,821	16,750
Total current assets		1,289,153	583,349	1,289,153	583,349
Non-current assets					
Other financial assets	9, 16	159,259	887,689	159,259	887,689
Exploration and evaluation	10	2,515,995	2,417,881	2,515,995	2,417,881
Plant and equipment	11	55,932	57,345	55,932	57,345
Total non-current assets		2,731,186	3,362,915	2,731,186	3,362,915
Total assets		4,020,339	3,946,264	4,020,339	3,946,264
Current liabilities					
Payables	12, 16	154,047	75,390	154,047	75,390
Total current liabilities		154,047	75,390	154,047	75,390
Total liabilities		154,047	75,390	154,047	75,390
Net assets		3,866,292	3,870,874	3,866,292	3,870,874
Equity					
Parent entity interest					
Contributed equity	13	5,988,527	5,476,296	5,988,527	5,476,296
Accumulated losses	14	(2,122,235)	(1,605,422)	(2,122,235)	(1,605,422)
Total equity	15	3,866,292	3,870,874	3,866,292	3,870,874

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 2004

	Notes	Consolidated		Parent entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Sundry income received (inclusive of goods and services tax)		110,559	150,961	110,559	150,961
Payments to suppliers and employees (inclusive of goods and services tax)		(670,117)	(684,336)	(670,117)	(684,336)
		(559,558)	(533,375)	(559,558)	(533,375)
Dividends received		6,568	3,540	6,568	3,540
Interest received		64,446	62,107	64,446	62,107
Net cash (outflow) from operating activities	27	(488,544)	(467,728)	(488,544)	(467,728)
Cash flows from investing activities					
Payments for plant and equipment		(19,124)	(8,663)	(19,124)	(8,663)
Payments for investments		(50,000)	(222,294)	(50,000)	(222,294)
Payments for security deposits		(10,000)	(36,000)	(10,000)	(36,000)
Exploration and evaluation expenditure		(938,325)	(1,069,430)	(938,325)	(1,069,430)
Proceeds from sale of investments		1,541,126	574,267	1,541,126	574,267
Proceeds from sale of tenements		150,400	-	150,400	-
Net cash inflow (outflow) from investing activities		674,077	(762,120)	674,077	(762,120)
Cash flows from financing activities					
Proceeds from issues of securities	13	524,500	280	524,500	280
Securities issue costs		(12,269)	(1,640)	(12,269)	(1,640)
Net cash inflow (outflow) from financing activities		512,231	(1,360)	512,231	(1,360)
Net increase (decrease) in cash held		697,764	(1,231,208)	697,764	(1,231,208)
Cash at the beginning of the financial year		526,302	1,757,510	526,302	1,757,510
Cash at the end of the financial year	5	1,224,066	526,302	1,224,066	526,302
Non-cash financing and investing activities	28				

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



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

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NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

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.

(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 2004 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.

Tax consolidation legislation

Glengarry Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The Australian Taxation Office has been notified of this decision. The consolidation did not involve a tax sharing agreement.

(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, unless the notional price at which they could be placed in the market is a better indicator of fair value. 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 entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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.



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.

Bills of exchange have been purchased in the market at a discount to face value. The bills are carried at an amount representing cost and a portion of the discount recognised as income on an effective yield basis. The discount brought to account each period is accounted for as interest received.

(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 inside the back cover).

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 referred to in AASB 1015 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.



Note 1. Summary of significant accounting policies (continued)

(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.

(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 market 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 25.

(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.



Note 1. Summary of significant accounting policies (continued)**(n) Employee 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 21.

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 note 17 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 2004 (continued)

Note 1. Summary of significant accounting policies (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 with financial institutions and other highly liquid investments with short period to maturity 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) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports quarterly to the audit committee. Under IFRS a number of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) Income tax

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 1. Summary of significant accounting policies (continued)

(s) International Financial Reporting Standards (IFRS) (continued)

(ii) *Equity-based compensation benefits*

Under AASB 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(iii) *Financial instruments*

Under AASB 132 Financial Instruments: Disclosure and Presentation the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under AASB 139 Financial Instruments: Recognition and Measurement there may be major impacts as a result of:

- financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

(iv) *Recoverable amount of non-current assets*

Under AASB 136 Impairment of Assets, discounted cash flows must be used to calculate an asset's recoverable amount. Recoverable amount is defined as the higher of an asset's net selling price and its value in use where value in use is based on the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. This will result in a change in the current accounting policy where the net cash flows are not discounted to their present values. At this stage the company has not determined the impact of using discounted cash flows.

(v) *Exploration and evaluation expenditure*

The International Financial Reporting Standard on Exploration for and Evaluation of Mineral Resources is not expected to be issued until the fourth quarter of 2004. As such, the impact of changes to the Company's existing accounting policy, which is in accordance with AASB 1022 Accounting for the extractive industries, is not yet determinable.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

Note 2. Revenue

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Revenue from operating activities				
Tenement cost recoveries	5,850	15,865	5,850	15,865
Expenses recouped	3,000	-	3,000	-
	8,850	15,865	8,850	15,865
Revenue from outside the operating activities				
Interest	63,845	55,028	63,845	55,028
Dividends	6,568	5,057	6,568	5,057
Sale of investments	1,541,126	479,086	1,541,126	479,086
Sale of tenements	150,400	-	150,400	-
	1,761,939	539,171	1,761,939	539,171
Revenue from ordinary activities	1,770,789	555,036	1,770,789	555,036



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 3. Profit(loss) from ordinary activities

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Net gains and expenses				
Profit(loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal of:				
Investments	790,604	207,996	790,604	207,996
Expenses				
Depreciation				
Plant and equipment	20,537	21,445	20,537	21,445
Other charges against assets				
Write down of exploration and evaluation expenditure	734,797	999,097	734,797	999,097
Write down of investments to recoverable amount	27,908	109,097	27,908	109,097
Rental expense relating to operating leases	39,077	56,535	39,077	56,535
Employee benefits expense				
Gross expense	535,425	370,079	535,425	370,079
Amount capitalised	(312,023)	(232,075)	(312,023)	(232,075)
Net employee benefits expense	223,402	138,004	223,402	138,004

Note 4. Income tax

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Income tax expense				
The income tax expense for the financial year differs from the amount calculated on the profit(loss). The differences are reconciled as follows:				
Profit(loss) from ordinary activities before income tax expense	(516,813)	1,410,929	(516,813)	1,410,929
Income tax calculated @ 30% (2003 - 30%)	(155,044)	(423,279)	(155,044)	(423,279)
Tax effect of permanent differences:				
- Sundry items	190	261	190	261
Income tax adjusted for permanent differences	(154,854)	(423,018)	(154,854)	(423,018)
Income tax benefit not brought to account	154,854	423,018	154,854	423,018
Aggregate income tax expense	-	-	-	-

The effect of tax consolidation has eliminated the total carry forward tax losses of all controlled entities and as the controlled entities are currently dormant, will have no effect on tax consolidation for the years ended 30 June 2004 and 2003. Comparative figures have been adjusted to reflect this position.

There is no profit(loss) from ordinary activities before income tax - tax consolidated group (excluding parent entity).

Tax losses

The directors estimate that the potential future income tax benefit at 30 June 2004 in respect of tax losses not brought to account is:

	5,548,117	5,305,011	5,548,117	5,305,011
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The benefit for tax losses will only be obtained if:

- 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
- the losses are transferred to an eligible entity in the consolidated entity, and
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 4. Income tax (continued)**Tax consolidation legislation**

Glengarry Resources Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation as of 1 July 2002. The Australian Taxation Office has been notified of this decision. The consolidation did not involve a tax sharing agreement.

The financial effect of the implementation of the legislation has been recognised in the financial statements for the year ended 30 June 2004.

Note 5. Current assets – Cash assets

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank and on hand	2,995	7,689	2,995	7,689
Deposits at call	224,202	518,613	224,202	518,613
	<u>227,197</u>	<u>526,302</u>	<u>227,197</u>	<u>526,302</u>
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	227,197	526,302	227,197	526,302
Add: Bills of exchange (note 6)	996,869	-	996,869	-
	<u>1,224,066</u>	<u>526,302</u>	<u>1,224,066</u>	<u>526,302</u>

Deposits at call

The deposits are bearing floating interest rates between 3.75% and 4.40% (2003 – 3.74% and 4.52%).

Note 6. Current assets – Receivables

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Bills of exchange - face value	1,000,000	-	1,000,000	-
Less: unearned income	3,131	-	3,131	-
	<u>996,869</u>	<u>-</u>	<u>996,869</u>	<u>-</u>
Other debtors	45,266	40,297	45,266	40,297
	<u>1,042,135</u>	<u>40,297</u>	<u>1,042,135</u>	<u>40,297</u>

Note 7. Current assets – Other

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Prepayments	19,821	16,750	19,821	16,750

Note 8. Non-current assets – Receivables

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Loans to controlled entities	-	-	4,935,255	4,935,255
Less: Provision for non-recovery	-	-	4,935,255	4,935,255
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 9. Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Investments traded on organised markets				
Shares in other corporations - at the lower of cost and market value	159,259	862,689	159,259	862,689
Other (non-traded) investments				
Shares in controlled entities - at cost (note 23)	-	-	2,205,010	2,205,010
Less: Provision for non-recovery	-	-	2,205,010	2,205,010
Shares in controlled entities - at recoverable amount	-	-	-	-
Shares in other corporations - at cost	-	25,000	-	25,000
	<u>159,259</u>	<u>887,689</u>	<u>159,259</u>	<u>887,689</u>

The market value of traded investments as at 30 June 2004 is \$172,648 (2003 - \$1,008,889)

Note 10. Non-current assets – Exploration and evaluation

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Exploration and evaluation				
Exploration and evaluation - at cost less amounts written off	2,515,995	2,417,881	2,515,995	2,417,881

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.

Exploration and evaluation

Carrying amount at 1 July 2003	2,417,881	2,361,734	2,417,881	2,361,734
Expenditure	983,311	1,055,244	983,311	1,055,244
Expenditure written off	(734,797)	(999,097)	(734,797)	(999,097)
Tenement sales	(150,400)	-	(150,400)	-
Carrying amount at 30 June 2004	<u>2,515,995</u>	<u>2,417,881</u>	<u>2,515,995</u>	<u>2,417,881</u>

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 inside the back cover.

Note 11. Non-current assets – Plant and equipment

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Plant and equipment				
Plant and equipment – at cost	169,427	187,744	169,427	187,744
Less: Accumulated depreciation	113,495	130,399	113,495	130,399
	<u>55,932</u>	<u>57,345</u>	<u>55,932</u>	<u>57,345</u>

Non-current assets pledged as security

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



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 11. Non-current assets – Plant and equipment (continued)

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	
	2004	2003	2004	2003
	\$	\$	\$	\$
Plant and equipment				
Carrying amount at 1 July 2003	57,345	71,265	57,345	71,265
Additions	19,124	7,525	19,124	7,525
Depreciation expense (note 3)	(20,537)	(21,445)	(20,537)	(21,445)
Carrying amount at 30 June 2004	55,932	57,345	55,932	57,345

Note 12. Current liabilities – Payables

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Trade creditors	93,746	32,811	93,746	32,811
Other creditors	60,301	42,579	60,301	42,579
	154,047	75,390	154,047	75,390

Note 13. Contributed equity

	Notes	Parent entity		Parent entity	
		2004	2003	2004	2003
		Shares	Shares	\$	\$
(a) Share capital					
Ordinary shares					
Fully paid	(b),(c)	126,307,151	110,057,151	126,307,151	4,950,333
Option issue premium		-	-	-	525,963
		126,307,151	110,057,151	126,307,151	5,476,296

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price \$	\$
1 July 2002	Balance		109,375,284		5,446,076
15 July 2002	Share issue to purchase information	(f)(i)	100,000	0.05	5,000
31 July 2002	Exercise of 2005 options	(f)(ii)	200	0.15	30
3 September 2002	Exercise of 2005 options	(f)(iii)	1,667	0.15	250
18 September 2002	Share issue for services rendered	(f)(iv)	580,000	0.043	24,940
30 June 2003	Balance		110,057,151		5,476,296
27 August 2003	Placement of shares	(f)(v)	16,000,000	0.032	512,000
18 February 2004	Exercise of options	(f)(vi)	250,000	0.05	12,500
	Less: Transaction costs arising on placement of shares				(12,269)
30 June 2004	Balance		126,307,151		5,988,527

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Employee incentive scheme

Information relating to the Employee Incentive Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 21.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 13. Contributed equity (continued)**(e) Options**

Information relating to listed options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 21.

(f) Details of movements in ordinary share capital

- (i) On 15 July 2002 the company issued 100,000 fully paid ordinary shares at 5 cents per share to purchase information.
- (ii) On 31 July 2002 the company issued 200 fully paid ordinary shares at 15 cents per share on the exercise of listed options.
- (iii) On 3 September 2002 the company issued 1,667 fully paid ordinary shares at 15 cents per share on the exercise of listed options.
- (iv) On 18 September 2002 the company issued 580,000 fully paid ordinary shares at 4.3 cents per share in payment of services rendered.
- (v) On 29 August 2003 the company placed 16,000,000 fully paid ordinary shares at 3.2 cents per share.
- (vi) On 18 February 2004 the company issued 250,000 fully paid ordinary shares at 5 cents per share on the exercise of options issued under the Employee Incentive Scheme.

Note 14. Accumulated losses

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Accumulated (losses) at the beginning of the financial year	(1,605,422)	(194,493)	(1,605,422)	(194,493)
Net profit(loss) attributable to members of Glengarry Resources Limited	(516,813)	(1,410,929)	(516,813)	(1,410,929)
Accumulated (losses) at the end of the financial year	<u>(2,122,235)</u>	<u>(1,605,422)</u>	<u>(2,122,235)</u>	<u>(1,605,422)</u>

Note 15. Equity

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Total equity at the beginning of the financial year	3,870,874	5,251,583	3,870,874	5,251,583
Total changes in equity recognised in the statement of financial performance	(516,813)	(1,410,929)	(516,813)	(1,410,929)
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	512,231	30,220	512,231	30,220
Total equity at the end of the financial year	<u>3,866,292</u>	<u>3,870,874</u>	<u>3,866,292</u>	<u>3,870,874</u>

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.

Bills of exchange which have been purchased at a discount to face value are carried on the statement of financial position at an amount less than the amount realisable at maturity. The total credit risk exposure of the consolidated entity could also be considered to include the difference between the carrying amount and the realisable amount (refer notes 9, 12 and 15).

(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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 16. Financial instruments (continued)

2004	Notes	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial assets				
Cash and deposits	5	225,514	1,683	227,197
Receivables	6	996,869	45,266	1,042,135
Other financial assets - investments	9	-	159,259	159,259
		1,222,383	206,208	1,428,591
Weighted average interest rate		5.06%		
Financial liabilities				
Trade and other creditors	12	-	154,047	154,047
Net financial assets		1,222,383	52,161	1,274,544
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

(c) Net fair value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

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. Director and executive disclosures

Directors

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

Chairman - non-executive

A T Harris

Executive directors

D R Richards, Managing Director

A J Alston, Exploration Director

Non-executive directors

I J Gordon (from 19 March 2004 to 30 June 2004)

M J Glasson

M J Glasson resigned from the position of non-executive director on 19 March 2004.



Note 17. Director and executive disclosures (continued)**Executives (other than directors) with the greatest authority for strategic direction and management**

The following person was the only executive with the greatest authority for the strategic direction and management of the consolidated entity ("specified executive") during the financial year:

Name	Position	Employer
D R Richards	Exploration Manager (from 1 July 2003 to 31 August 2003)	Glengarry Resources Limited

D R Richards was also a specified executive during the year ended 30 June 2003.

Remuneration of directors and executives***Principles used to determine the nature and amount of remuneration***

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency.

The company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on exploration success as the creation of shareholder value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides recognition for contribution.

The framework currently consists of fixed salaries.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also endeavours to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2003. The Chairman's remuneration is inclusive of committee fees while non-executive directors who chair a committee may receive additional yearly fees and additional fees may also be payable to directors for their membership on subsidiary boards.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool limit currently stands at \$100,000.

Retirement allowances for directors

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

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits
- long-term incentives through participation in the Employee Incentive Scheme, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration. The company will consider introducing long-term equity-linked performance incentives specifically for executives during the year ending 30 June 2005.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 17. Director and executive disclosures (continued)

Remuneration of directors and executives (continued)

Base pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' contracts.

Benefits

Executives may receive benefits including health care insurance, car allowance and tax advisory services.

Retirement benefits

Directors and employees are permitted to nominate a superannuation fund of their choice for the payment of superannuation contributions.

Employee Incentive Scheme

Information on the Employee Incentive Scheme is set out on page 48.

Details of remuneration

Details of the remuneration of each director of Glengarry Resources Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out in the following tables.

Directors of Glengarry Resources Limited

2004 Name	Primary		Post-employment	Equity	Total \$
	Cash salary and fees \$	Non-monetary benefits \$	Super-annuation \$	Options \$	
A T Harris	111,852	-	3,600	-	115,452
A J Alston	123,853	7,099	11,147	-	142,099
D R Richards *	137,615	-	12,385	1,090	151,090
I J Gordon **	7,123	-	641	-	7,764
M J Glasson *** (from 1.7.03 to 19.3.04)	45,541	-	1,687	-	47,228
Total	425,984	7,099	29,460	1,090	463,633

* D R Richards was appointed Managing Director on 1 September 2003. Before this appointment he was the company's Exploration Manager. Amounts shown above include all Mr Richard's remuneration during the reporting period, whether as Managing Director or as Exploration Manager. Amounts received in his position as Managing Director amounted to \$130,000, made up of cash salary and fees \$110,092, superannuation of \$9,908 and options of \$10,000.

** I J Gordon was appointed a director on 19 March 2004.

*** M J Glasson resigned as a director on 19 March 2004.

Total remuneration of directors of Glengarry Resources Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*.

2004 Name	Primary		Post-employment	Equity	Total \$
	Cash salary and fees \$	Non-monetary benefits \$	Super-annuation \$	Options \$	
Total	330,289	11,679	15,449	-	357,417



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 17. Director and executive disclosures (continued)

Remuneration of directors and executives (continued)

Specified executives of the consolidated entity

Except for D R Richards, referred to above, there were no other executives employed by the company or the consolidated entity during the year.

Total remuneration of specified executives for the year ended 30 June 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*. In some cases, different individuals are included than those specified in the year ended 30 June 2004.

2004	Primary		Post-employment	Equity	
Name	Cash salary and fees \$	Non-monetary benefits \$	Super-annuation \$	Options \$	Total \$
Total	36,697	-	3,303	2,500	42,500

Service agreements

Remuneration and other terms of employment for the Managing Director and Exploration Director are formalised in service agreements. Each of these agreements provide for the provision of other benefits including car allowances and participation, when eligible, in the Employee Incentive Scheme. Other major provisions of the agreements relating to remuneration are set out below.

D R Richards, *Managing Director*

- Term of agreement - notice period of six months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of \$160,000, to be reviewed annually by the remuneration committee.

A J Alston, *Exploration Director*

- Term of agreement - notice period of three months.
- Base salary, inclusive of superannuation, for the year ended 30 June 2004 of \$135,000, to be reviewed annually by the remuneration committee.

Share-based compensation - options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
8 March 2004	18 February 2005	*	\$0.00146	At any time during the option period
8 March 2004	18 February 2006	**	\$0.00072	At any time during the option period

* The greater of 10 cents per share or 80% of market value calculated in accordance with the terms and conditions of the Employee Incentive Scheme.

** The greater of 15 cents per share or 80% of market value calculated in accordance with the terms and conditions of the Employee Incentive Scheme.

Options are granted under the Employee Incentive Scheme which was approved by shareholders at the 2002 annual general meeting. All staff are eligible to participate in the scheme (including executive directors) who have been continuously employed by the consolidated entity for a period of at least six months or at the absolute discretion of the directors.

Options are granted under the scheme for no consideration. The period of the options granted is subject to the discretion of the directors, up to a maximum of five years from the date of grant.

Options granted under the scheme carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is determined by the directors which shall be 25 cents per share or not less than 80% of market price on the date upon which the directors first resolved to grant the options, whichever is the higher.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 17. Director and executive disclosures (continued)**Remuneration of directors and executives (continued)****Share-based compensation - employee incentive scheme**

Except for the Managing Director (formerly the Exploration Manager), none of the directors of Glengarry Resources Limited or the specified executives of the consolidated entity have elected to participate in the company's Employee Incentive Scheme.

Equity instrument disclosures relating to directors and executives**Options provided as remuneration**

Details of options over ordinary shares in the company provided as remuneration to each director of Glengarry Resources Limited and the specified executive of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of Glengarry Resources Limited. Further information on the options is set out in note 21.

Name	Number of options granted during the year	Number of options vested during the year
<i>Directors of Glengarry Resources Limited</i>		
D R Richards	1,000,000	1,000,000

The assessed fair value at grant date of options granted to directors and specified executives is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2004 included:

- options are granted for no consideration
- exercise price: 500,000 - \$0.10, 500,000 - \$0.15 (2003 - \$0.05)
- grant date: 8 March 2004 (2003 - 4 April 2003)
- expiry date: 500,000 - 18 February 2005, 500,000 - 18 February 2006 (2003 - 18 February 2004)
- share price at grant date: \$0.052 (2003 - \$0.05)
- expected price volatility of the company's shares: 50% (2003 - 30%)
- expected dividend yield: nil
- risk-free interest rate: 5.22% (2003 - 5.5%).

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Glengarry Resources Limited and the specified executive of the consolidated entity are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year
<i>Directors of Glengarry Resources Limited</i>		
D R Richards	18 February 2004	250,000

There were no ordinary shares in the company provided as a result of the exercise of remuneration options to a specified executive of the consolidated entity.

The amounts paid per ordinary share by each director on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
18 February 2004	\$0.05

No amounts are unpaid on any shares issued on the exercise of options.

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Glengarry Resources Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out on the next page.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 17. Director and executive disclosures (continued)

Equity instrument disclosures relating to directors and executives (continued)

Option holdings (continued)

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors of Glengarry Resources Limited</i>						
A T Harris	10,000,000	-	-	-	10,000,000	10,000,000
A J Alston	1,345,000	-	-	-	1,345,000	1,345,000
D R Richards	500,000	1,000,000	(250,000)	(250,000) (expired)	1,000,000	1,000,000

No options are vested and unexercisable at the end of the year.

Share holdings

The numbers of shares in the company held during the financial year by each director of Glengarry Resources Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<i>Directors of Glengarry Resources Limited</i>				
Ordinary shares				
A T Harris	12,567,548	-	-	12,567,548
A J Alston	3,340,934	-	73,000	3,413,934
D R Richards	200,000 *	250,000	-	450,000

* The total of 450,000 shares includes 250,000 shares issued on the exercise of options granted under the Employee Incentive Scheme and held in the name of W L Richards, wife of D R Richards.

Other transactions with directors and specified executives

Directors of Glengarry Resources Limited

A director, Mr A T Harris and his wife are directors and shareholders of Havelock Corporate Services Proprietary which has provided corporate and secretarial services on normal commercial terms and conditions.

A director, Mr M J Glasson (resigned 19 March 2004), was a director and shareholder of Geobiz Pty Ltd which provided geological consulting services and administrative services to Glengarry Resources Limited on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors of Glengarry Resources Limited:

	2004	2003
Amounts recognised as expense	\$	\$
Corporate and secretarial fees	71,852	66,150
Geological consulting fees	15,475	43,695
Administration services	11,316	30,043
Motor vehicle expenses	-	4,391
	98,643	144,279

Note 18. Remuneration of auditors

Consolidated		Parent entity	
2004	2003	2004	2003
\$	\$	\$	\$

During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:

Assurance services

Audit services

Fees paid to PricewaterhouseCoopers Australian firm:

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

15,715	15,080	15,715	15,080
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NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 19. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 30 June 2004 in respect of:

Guarantees

Guarantees given in respect of bank security bonds amounting to \$94,000 (2003 - \$104,500), secured by registered first mortgages over the assets of the consolidated entities.

Cross guarantees given by Glengarry Resources Limited, Glengarry Mining NL, Lymcloud Pty Ltd, Diamantina Resources Pty Ltd and Plural.com Pty Ltd as described in note 24. No deficiencies of assets exist in any of these companies except for 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 20. Commitments for expenditure

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Capital commitments				
Commitments for minimum expenditure on mining tenements				
Within one year	968,855	728,740	968,855	728,740
Later than one year but not later than 5 years	6,489,420	3,704,960	6,489,420	3,704,960
Later than 5 years	-	-	-	-
	<u>7,458,275</u>	<u>4,433,700</u>	<u>7,458,275</u>	<u>4,433,700</u>

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

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, being commitments for minimum lease payments in relation to non-cancellable operating leases, are payable as follows:				
Within one year	33,270	-	33,270	-
Later than one year but not later than 5 years	52,968	-	52,968	-
Later than 5 years	-	-	-	-
	<u>86,238</u>	<u>-</u>	<u>86,238</u>	<u>-</u>

Note 21. Employee benefits

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Employee benefit and related on-costs liabilities				
Included in other creditors - current (note 12)	46,837	28,658	46,837	28,658
Aggregate employee benefit and related on-costs liabilities	<u>46,837</u>	<u>28,658</u>	<u>46,837</u>	<u>28,658</u>
Employee numbers				
Average number of employees during the financial year	<u>8</u>	<u>6</u>	<u>8</u>	<u>6</u>

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



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 21. Employee benefits (continued)

Employee Incentive Scheme

The Employee Incentive Scheme ("the scheme") was approved by shareholders at the 2002 annual general meeting. All staff (including executive directors) are eligible to participate in the scheme.

Shares and options are issued on the following terms:

- Eligible participants shall not, unless the directors in their absolute discretion determine otherwise, participate in the scheme until they have qualified as an Eligible Participant for a period of at least six months.
- The entitlement from time to time of each Eligible Participant shall be determined by the directors in their absolute discretion based on the directors' assessment of length of service, remuneration level and the contribution the Eligible Participant will make to the long term performance of the company, together with such other criteria as the directors consider appropriate in the circumstances.
- The maximum number of securities which may be issued pursuant to the scheme shall not be greater than 5% of the issued shares of the company, from time to time.
- Options are granted under the plan for no consideration.
- Options granted under the plan carry no dividend or voting rights.
- When exercisable, each option is convertible into one ordinary share.

The exercise price of options is determined by the directors which is 25 cents or not less than 80% of market price on the date upon which the directors first resolved to grant the options, whichever is the higher. Amounts receivable on the exercise of options are recognised as share capital.

These options were purportedly issued under the scheme but were inadvertently issued with an exercise price less than the minimum price prescribed by the terms and conditions of the scheme. The Company is seeking to regularise this position by obtaining shareholder ratification at the annual general meeting to the issue of the options at such prices. In the absence of shareholder ratification, the options will be treated as having been issued outside the terms of the scheme.

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

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 - 2004							
4 April 2003	18 February 2004	0.05	500,000	-	250,000	250,000	-
8 March 2004	8 March 2006	0.05	-	600,000	-	-	600,000
8 March 2004	18 February 2005	*	-	500,000	-	-	500,000
8 March 2004	18 February 2006	**	-	500,000	-	-	500,000
			500,000	1,600,000	250,000	250,000	1,600,000

* The greater of 10 cents per share or 80% of market value calculated in accordance with the terms and conditions of the scheme.

** The greater of 15 cents per share or 80% of market value calculated in accordance with the terms and conditions of the scheme.

Consolidated and parent entity - 2003

4 April 2003	18 February 2004	0.05	-	500,000	-	-	500,000
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Options exercised during the financial year and number of shares issued to employees on the exercise of options

Exercise date	Fair value of shares at issue date	Consolidated		Parent entity	
		2004 Number	2003 Number	2004 Number	2003 Number
18 February 2004	\$0.048	250,000	-	250,000	-

The fair value of shares issued on the exercise of options is the weighted average price at which the company's shares were traded on the Australian Stock Exchange on the day prior to the exercise of the options.

Options vested at the reporting date	1,600,000	500,000	1,600,000	500,000
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NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 21. Employee benefits (continued)**Employee Incentive Scheme (continued)**

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	12,500	-	12,500	-
	\$	\$	\$	\$
Fair value of shares issued to employees on the exercise of options as at their issue date	12,000	-	12,000	-

Note 22. Related parties**Directors and specified executives**

Disclosures relating to directors and specified executives are set out in note 17.

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 23.

There were no transactions between Glengarry Resources Limited and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003.

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

	Parent entity	
	2004	2003
	\$	\$
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:

- (a) Controlled entities – note 23.
- (b) Joint ventures – note 25.

Note 23. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2004	2003
			%	%
Lymcloud Pty Ltd	Australia	Ordinary	100	100
Plural.com Pty Ltd	Australia	Ordinary	100	100
Diamantina Resources Pty Ltd	Australia	Ordinary	100	100
Glengarry Mining NL	Australia	Ordinary	100	100

These controlled 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 24.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 24. 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 requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) 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 condensed consolidated statement of financial performance and a summary of movements in consolidated retained profits (losses) for the year ended 30 June 2004 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 25. 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:	Parent entity	
	2004	2003
	%	%
* Larranganni Joint Venture	7.5	7.5
* Watts Rise Joint Venture	7.5	7.5
** Mt Junction Joint Venture	-	100.00
** Tanami Downs Joint Venture	100.00	100.00
*** Inningarra Joint Venture	100.00	-

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

- * 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%.
- *** Newmont Tanami Pty Ltd earning 70%.

Note 26. Events occurring after reporting date

Since 30 June 2004, on 23 August 2004 the company announced a one for four pro rata non-renounceable entitlements issue of ordinary shares at 3.5 cents per share which, if fully subscribed, will result in the issue of approximately 31,576,787 new shares and raise approximately \$1,105,187.

The financial effect of the above transaction has not been brought to account at 30 June 2004.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2004 (continued)

Note 27. Reconciliation of profit(loss) from ordinary activities after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating profit (loss) after income tax	(516,813)	(1,410,929)	(516,813)	(1,410,929)
Depreciation and amortisation	20,537	21,445	20,537	21,445
Write down of investments	27,908	109,097	27,908	109,097
Net (profit) on sale of non-current assets	(790,604)	(207,996)	(790,604)	(207,996)
Share issues other than cash	-	24,940	-	24,940
Exploration and evaluation expenditure written off	734,797	999,097	734,797	999,097
Change in operating assets and liabilities				
Decrease(increase) in other debtors	4,619	26,702	4,619	26,702
Decrease(increase) in other operating assets	(3,071)	(1,948)	(3,071)	(1,948)
Increase(decrease) in trade creditors	34,083	(28,136)	34,083	(28,136)
Net cash used in operating activities	(488,544)	(467,728)	(488,544)	(467,728)

Note 28. Non-cash financing and investing activities

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
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 29. Earnings per share

	Consolidated	
	2004	2003
	Cents	Cents
Basic earnings per share	(0.418)	(1.283)
Diluted earnings per share	(0.418)	(1.283)

	Consolidated	
	2004	2003
	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.	<u>123,656,876</u>	<u>109,927,473</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	<u>123,656,876</u>	<u>109,927,473</u>

There are a further 56,287,642 potential ordinary shares (options) not considered to be dilutive.



DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 25 to 51:

- (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 2004 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 24 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 24.

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

D R Richards

Managing Director

Perth

16 September 2004



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 2004, 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 2004. 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.

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
16 September 2004

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



SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 23 August 2004.

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	26	34
1,001	- 5,000	185	176
5,001	- 10,000	393	73
10,001	- 100,000	1,005	119
100,001	and over	205	65
		1,814	467

(b) There were 736 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	7,644,399	6.05
Tanami Gold NL	4,435,862	3.51
Havelock Corporate Services Proprietary	4,145,449	3.28
H Szalacki	3,195,235	2.53
Bretred Pty Ltd	3,016,773	2.39
Perpetual Custodians Limited	2,767,800	2.19
Lyandra Pty Ltd	2,300,000	1.82
S Saliba	2,000,000	1.58
Howard-Smith Investments Pty Ltd	1,893,938	1.50
J E Spicer	1,356,667	1.07
Jacqueline Kay Pty Ltd	1,200,000	0.95
M Thom	1,100,000	0.87
H V Ashcroft	1,012,334	0.80
A Battaglia	1,000,000	0.79
Parkes Holdings Pty Ltd	1,000,000	0.79
J K Beckerson	1,000,000	0.79
Yandal Investments Pty Ltd	952,381	0.75
L J and C T Sharah	842,000	0.67
D E Brown	773,333	0.61
S C Biggs Pty Ltd	762,617	0.60
	42,398,788	33.54



SHAREHOLDER INFORMATION (continued)**31 March 2005 options**

Name	Number held	Percentage of issued shares
Havelock Corporate Services Proprietary	6,063,951	11.09
Brodrick Nominees Pty Ltd	3,697,199	6.76
S C Biggs Pty Ltd	3,100,000	5.67
Tarney Holdings Pty Ltd	3,000,000	5.48
A and R Getz	2,562,412	4.68
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
Lawrence Crowe Consulting Pty Ltd	1,550,055	2.83
A E Glasson	1,500,000	2.74
Lyandra Pty Ltd	1,300,729	2.38
P M Beck and C A Beeson	1,204,166	2.20
L J and C T Sharah	1,096,000	2.00
K Wolpers	1,050,000	1.92
Perpetual Custodians Limited	1,045,000	1.91
J C Desille	930,000	1.70
D E Brown	756,666	1.38
International Business Network (Services) Pty Ltd	700,000	1.28
K A and L H Moffat	600,000	1.10
Jacqueline Kay Pty Ltd	600,000	1.10
	36,985,651	67.61

C. Substantial shareholders

Substantial shareholders in the company are set out below:

Ordinary shares	Number held	Percentage
A T Harris (associate)	12,567,548	9.95
Brodrick Nominees Pty Ltd	7,644,399	6.05

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.



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:

	Location	Interest %	Inferred	average grade (g/t)	Cut-off grade (g/t)
			tonnes		
Great Britain	Queensland	100	1,540,000	2.20	1.0

Any apparent errors are due to rounding.

The Great Britain resource estimate was prepared by Resource Evaluations Pty Ltd. The estimate complies with recommendations of the Australasian Code for Reporting of Mineral Resources and Ore Reserves Report prepared in 1999 by the Joint Ore Reserves Committee (JORC).



MINING TENEMENT INTERESTS

PROJECT	TENEMENT	AREA(sq km)	INTEREST	JV PARTNER(S)	OPERATOR
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GOLD PROJECTS, Queensland

Charters Towers	EPM 10736	52	100%		
	EPM 10818	100			
	EPM 11008	68			
	EPM 11317	84			
	EPM 14174	126			
	EPM(A) 14388	303			
	EPM(A) 14458	23			
	EPM(A) 14604	322			
	EPM(A) 14690	283			

GOLD - BASE METAL PROJECTS, Queensland

Diamantina	EPM 13746	746	100%		
	EPM(A) 14139	796			
	EPM(A) 14582	546			
	EPM(A) 14603	312			
Cannington	EPM 13680	242	100%		
	EPM 13681	181			
	EPM 13920	86			
Greenvale	EPM 12123	58	100%		
	EPM 12399	23			
	EPM 12511	120			
	EPM 12512	256			
	EPM 12961	301			
	EPM(A) 12510	454			
	EPM(A) 12513	467			
	EPM(A) 14346	113			
	MDL 107	1			
Mt Guide	EPM(A) 14233	134	100%		
Snake Creek	EPM(A) 14449	259	100%		

GOLD PROJECTS, Tasmania

Yolande River	EL 21/2003	64	100%		
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GOLD PROJECTS, Western Australia

Larranganni Joint Venture	E80/1905	200		Tanami Gold NL	Tanami Gold NL
	E80/1976	226			
	E80/1986	162			
	E80/2036	26			
	E80/2037	68			
	E80/2091	200			
	E80/2509	158			
	M80/562(A)	10			
	M80/563(A)	10			
	M80/564(A)	10			
	E80/2133	78	7.5% *	Barrick Gold of Australia Limited/ Tanami Gold NL	Barrick Gold of Australia Limited
	E80/2390	168	7.5% *		

GOLD PROJECTS, Northern Territory

Tanami Downs Joint Venture	EL(A) 23562	177	100% **	Barrick Gold of Australia Limited	Barrick Gold of Australia Limited
Inningarra Joint Venture	EL(A) 23625	193	100% ***	Newmont Tanami Pty Ltd	Newmont Tanami Pty Ltd
Officer Hill / Lake Ruth	EL(A) 24046	58	100%		
	EL(A) 24047	83			

* 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

*** Subject to Farm-in and Joint Venture Agreement with Newmont Tanami Pty Ltd dated 15 October 2003

E Exploration Licence (WA)
EL Exploration Licence (NT and Tasmania)

EPM Exploration Permit for Minerals (Qld)

MDL Mineral Development Licence (Qld)

M Mining Lease (WA)

(A) Pending application





Independent audit report to the members of Glengarry Resources Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Glengarry Resources Limited (the company) for the financial year ended 30 June 2004 included on the Glengarry Resources Limited web site. The company's directors are responsible for the integrity of the Glengarry Resources Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

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 2004, 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 2004. 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.

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
16 September 2004