



G L E N G A R R Y



Annual Report 2006

Annual Report — 30 June 2006

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Glengarry Resources Limited – Directors and Company Secretaries

From left: Des Kelly, Janelle Burns, Bill Manning, Keith McKay, Darren Gordon, David Richards



Corporate Directory

Directors

K G McKay BSc (Hons), FAusIMM
Chairman

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

D P Gordon CA, FFin, ACIS

W F Manning BA, LLB, FAICD

Secretaries

D J Kelly BComm, CPA, MAICD

J P Burns Bbus (Acc/Law)

Stock exchange listings

Glengarry Resources Limited shares are listed on the Australian Stock Exchange

Ordinary fully paid shares (ASX code GGY)

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Share register

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Auditor

PricewaterhouseCoopers
Chartered Accountants
“QV1”
250 St Georges Terrace
Perth WA 6000

Solicitors

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Bankers

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



Chairman's Report

On behalf of the Board of Glengarry Resources, I am pleased to present the 2006 Annual Report of the Company.

I am particularly pleased to report to Shareholders that a new exploration strategy initiated by Glengarry Resources in 2005, which I mentioned in my Chairman's report last year, is proving successful. A key element of that strategy is to focus our exploration effort on fewer priority projects. As a result, over the past year Glengarry has made significant progress towards the identification and the definition of both copper and uranium resources on its wholly owned flagship property, the Greenvale Project in North Queensland.

Glengarry has concentrated its exploration effort on only two projects – the Greenvale Project and the Cannington Project. Three other projects (Snake Creek, Mount Guide and Inningarra) were previously joint ventured out to other companies last year and a sixth project, the Charters Towers Project, is in the process of being divested to a new IPO company.

Glengarry's Greenvale Project is strategically located just south of Kagara Zinc's current Balcooma mining operation and immediately east of the old Kidston gold mine. The 2,300 square kilometre property has excellent potential for deposits of a variety of metals including, gold, silver, base metals and uranium.

The prime target for our exploration at Greenvale in the past year has been the Maitland copper prospect where an initial JORC compliant resource containing some 21,000 tonnes of copper metal has now been defined. The mineralisation remains open both along strike and at depth and we are confident that additional drilling will significantly increase this resource.

Also at Greenvale, drilling on the Oasis uranium prospect, where a substantial amount of drilling was undertaken in the 1970's, has confirmed the validity of economic grade intersections reported in the earlier drilling results. It is anticipated that only a limited amount of additional confirmatory drilling will be necessary to produce an initial JORC compliant resource. Importantly, the uranium mineralised zone at Oasis remains open both along strike and at depth.

Exploration on the Company's wholly owned Cannington Project, which is located close to the world-class Cannington base metal mine in northwest Queensland, has recently defined a significant geophysical anomaly possibly indicative of sulphide mineralization and which is associated with base metal gossan float. A priority will be given to drill testing this target in the coming year.

While we will continue to direct a major portion of our exploration effort to the Greenvale and Cannington Projects, Glengarry has been actively seeking new quality projects in well endowed mineral provinces in Australia. Despite obviously strong competition due to the current "boom" conditions, we recently successfully acquired two new wholly owned properties, the Citadel and Rum Jungle Projects.

The Citadel Project which is located in the Paterson Province of northwest Western Australia is particularly exciting. We have secured a 1,700 square kilometre area in a region that already hosts several world-class metal deposits including the Telfer gold mine, Nifty copper mine and the Kintyre uranium deposit. An immediate target on our Project area is the Magnum gold-copper prospect where relatively limited drilling by previous companies has intersected significant widths of high grade gold and copper mineralization.

In addition to quality projects, Glengarry has a Management Team with considerable exploration experience and a track record of significant discoveries. I would like to take this opportunity to thank Managing Director David Richards and his team for their efforts and dedication over the past twelve months.

In a tight skilled labour market, Glengarry has managed to retain its experienced technical team over the past year. However, we have been severely impacted by the shortage of drill rigs with delays experienced in key drilling programs at Greenvale. The shortage of drill rigs is unfortunately an Australia-wide problem that is likely to continue for some time.

During the year, several changes occurred on the Company's Board, largely as a result of a decision in March this year by long-time director Allan Harris to retire. Allan was also Chief Financial Officer and



Chairman's Report (continued)

Company Secretary for the Glengarry. I would like to thank Allan for his many years of service to the Company, particularly through the leaner times when many junior exploration companies didn't survive. Allan remains an interested shareholder in the Company.

A second Board vacancy was caused by the resignation of non-executive director Ian Gordon last November who elected to move back into a full-time employee role with another company.

Glengarry has been very fortunate in securing the services of two new non-executive directors, Darren Gordon and Bill Manning, in March this year. Both have considerable corporate experience in the mining industry. Additionally, Desmond Kelly and Janelle Burns have been appointed Joint Company Secretaries. Des is an experienced accountant and company secretary in the junior mining company sector and he has also assumed the role of Chief Financial Officer.

I believe that the Board now has an ideal balance of professional skills in both the corporate and technical arenas. I am also pleased to report that the Board works as a closely knit team and I thank all members for their contribution.

I would like to conclude by thanking the Shareholders of Glengarry for your continuing support and I look forward to meeting with you at the Company's Annual General Meeting on 28 November this year. I am confident that the exploration programs currently being undertaken will lead to further real success in the coming year and that this will in turn lead to a significant market re-rating of the company.



Keith G McKay
Chairman

29 September 2006



Operations Review

Summary

Glengarry Resources Limited is a Perth-based junior exploration company undertaking mineral exploration in Australia. The Company's main focus is in Queensland where it is exploring for copper, gold, uranium and other base metals.

Glengarry commenced the financial year (the year) with six Australian projects including three projects that had previously been joint ventured to other parties. A proactive project generation strategy resulted in the acquisition during the year of two new projects in well endowed but under explored mineral provinces.

The key project during the year was the **Greenvale Project** located in North Queensland where exploration continued throughout the year. Limited exploration was also carried out at the Cannington Project with the other Projects either farmed out or awaiting grant of tenure before the commencement of fieldwork.

Highlights of exploration work completed on the wholly owned Greenvale Project during the year include:

- The completion of three successful drilling programs at the Maitland copper prospect which allowed a JORC compliant inferred resource of 1.6 million tonnes @ 1.29% copper, containing approximately 21,000 tonnes of copper metal, to be estimated. A preliminary economic scoping study indicates that further drilling to upgrade the resource is warranted.
- Drilling has confirmed significant uranium mineralisation at the Oasis prospect where drilling in 1978 intersected up to 9.5 metres @ 0.23% U_3O_8 . Further drilling is planned to test for additional shallow, open pittable mineralisation along strike of the 300 metre long zone already defined by existing drilling.
- Delineation of extensive polymetallic anomalism at the T3 prospect. T3 is underlain by the southern strike extension of the Balcooma stratigraphy which hosts high grade base metal mineralisation currently being mined by Kagara

Zinc approximately 60 kilometres to the north. There has been no previous drilling in the T3 area.

Glengarry plans to continue its multi-commodity exploration program at Greenvale in the coming year with an emphasis on drilling.

The wholly owned **Cannington Project** is located in western Queensland close to the world-class Cannington silver-lead-zinc mine currently operated by BHP Billiton. A recently completed Induced Polarisation geophysical survey has delineated a conductive body, possibly caused by sulphide mineralisation beneath barren cover immediately east of Glengarry's Crackpot prospect where float samples have recorded strongly anomalous lead and molybdenum. Follow up exploration including a drilling program is being planned.

Strategic new land holdings were acquired in northwest Western Australia at the Citadel Project and in the Northern Territory at Rum Jungle. Both projects are located in well endowed mineral provinces and previous exploration indicates good potential for the discovery of further economic gold-copper-uranium mineralisation.

The Snake Creek and Mt Guide Joint Venture Projects are located in the Mt Isa region of western Queensland. Exploration targeting base metal mineralisation was carried out during the year by Xstrata Copper and Summit Resources respectively. These companies are both active explorers in the region and plan to continue work on the Joint Ventures next year.

The Charters Towers Project was sold to Mantle Mining Corporation Limited, a company that plans to list on the ASX in late 2006. Glengarry will be allocated 3 million shares in Mantle Mining upon listing.

Glengarry's direct exploration expenditure for the year rose 60% compared with the previous year which is due to the increase in the number of advanced prospects and the level of drilling required in testing them. Glengarry funded its aggressive exploration effort in the past year through two placements that raised approximately \$2.3 million. The Company intends to maintain a dynamic exploration program in the coming twelve months and will place a strong emphasis on drilling and other in-ground exploration. In addition, acquisition opportunities will continue to be assessed for their potential to add value to the Company.



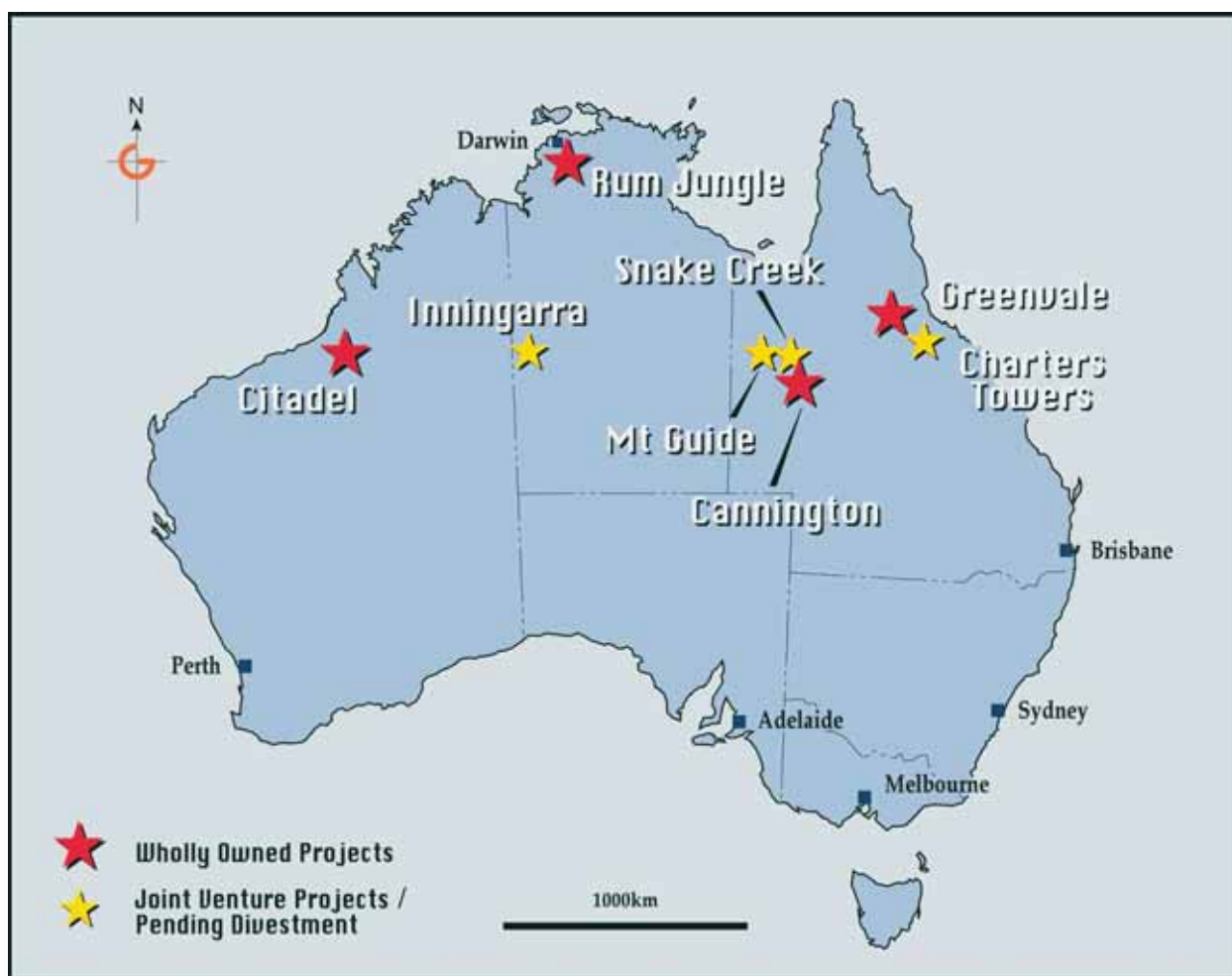


Figure 1
Current Project Locations

GREENVALE PROJECT (Glengarry 100%) Maitland Prospect – (Copper)

The Greenvale Project is situated 200 kilometres west of Townsville in North Queensland and is strategically located immediately east of the mined-out 4.5 million ounce Kidston Gold Mine and just south of Kagara Zinc’s current Balcooma base metal operations (Figure 2). The Project area covers approximately 2,300 square kilometres and consists of 12 granted tenements including the Metallica Joint Venture which was established during the year (see page 9).

The Company focused exploration work on four prospects during the year. Drill programs were carried out at the Maitland copper and Oasis uranium prospects and extensive soil sampling programs were undertaken at the T3 zinc-lead-silver and Mt Remarkable gold prospects.

Copper ores were mined at the Maitland prospect from 1909 to 1921 with approximate production of 1,250 tonnes @ 17.4% copper. Exploratory drilling in the 1960’s confirmed copper mineralisation over a 300 metre strike length with a best intersection of 21.4 metres @ 3% copper.

Following a comprehensive review of all previous exploration data, Glengarry completed three phases of drilling at Maitland during the year. The drilling comprised 21 reverse circulation percussion holes and 9 diamond core holes for a total of 3,725 metres. Significant copper mineralisation was intersected in most holes (Figure 3) with better results including:

Operations Review (continued)

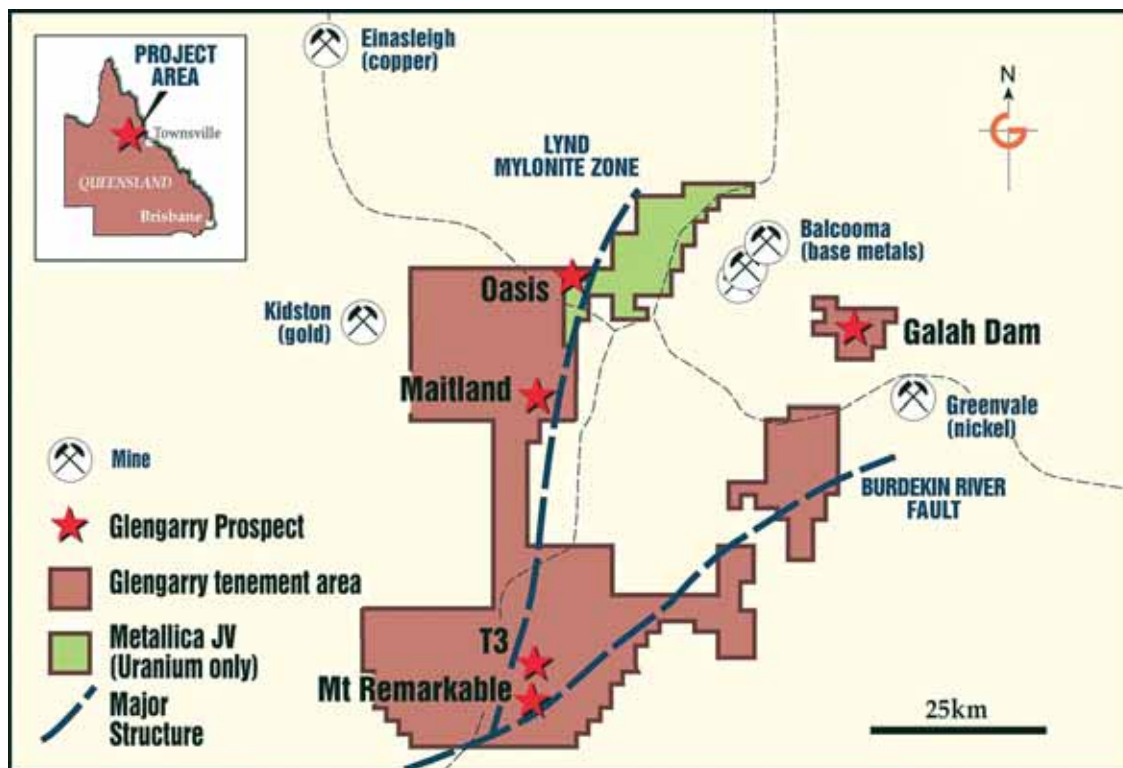


Figure 2
Greenvale Project – Tenure and Prospects

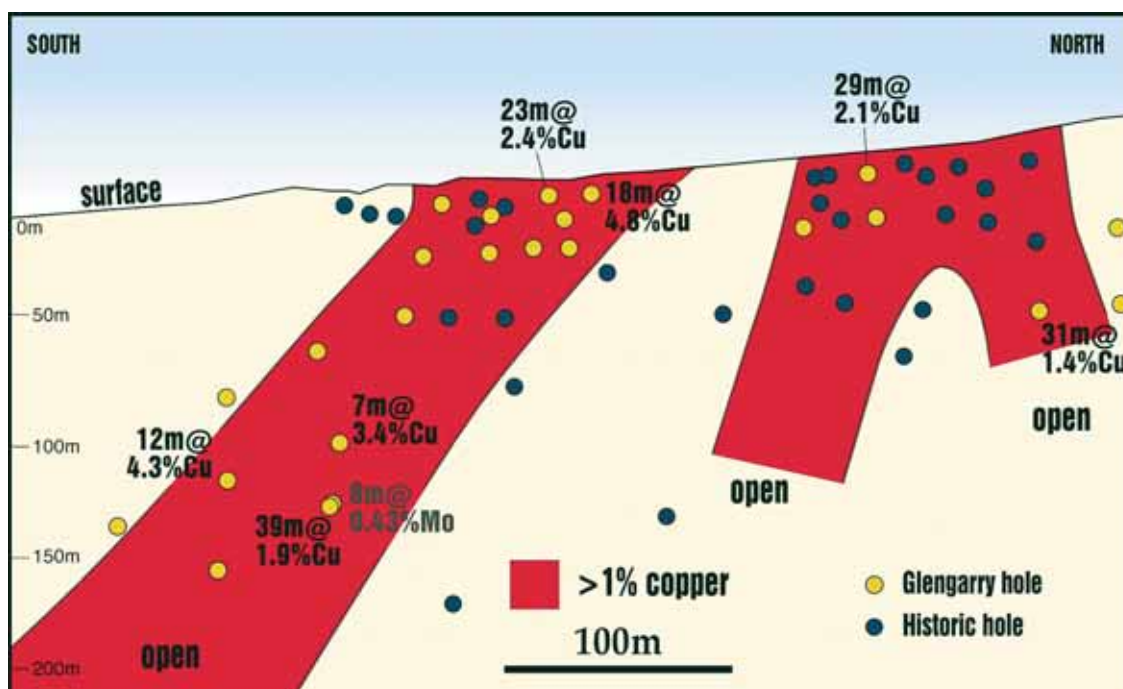


Figure 3
Maitland Copper Prospect – Long Section (looking west)



Operations Review (continued)

- **MTRC 3** 23 metres @ 2.4% Cu from 0 metres.
- **MTRC 5** 18 metres @ 4.8% Cu from 2 metres.
- **MTRC 14** 31 metres @ 1.4% Cu from 26 metres.
- **MTRC 15** 29 metres @ 2.1% Cu from 0 metres.
- **MTD 2** 39 metres @ 1.9% Cu from 147 metres.
- **MTD 5** 7 metres @ 3.4% Cu from 137 metres.
- **MTD 7** 12 metres @ 4.3% Cu from 160 metres.

High grade, primary molybdenum mineralisation (up to 8 metres @ 0.43% Mo from 143 metres) was also intersected immediately above the main zone of copper mineralisation. The molybdenum mineralisation intersected is potentially very significant due to the increase in molybdenum prices from US\$10 per pound to currently about US\$28.50 per pound.

The mineralisation at Maitland occurs as disseminated chalcopyrite and molybdenite hosted by two south plunging high grade shoots. The individual shoots extend over 50-100 metres strike length, are up to 30 metres wide and are open down plunge (Figure 3). The thickness and grade of the mineralisation appear to be improving with depth.



**Maitland Prospect – Diamond core drilling
(August 2005)**

The data from all drill programs carried out at Maitland has been used to estimate a JORC compliant inferred resource of 1.6 million tonnes @ 1.29% copper (0.75% lower cut off) containing approximately 21,000 tonnes of copper metal. A preliminary economic scoping study indicates that there is good potential to upgrade the resource to a reserve that could be profitably mined and subsequently treated by any third party owned mill up

to 200 kilometres from the prospect. Metallurgical test work is in progress and further drilling is planned with the object of better defining both the size and the quality of the resource.

There is excellent potential to significantly increase the size of the resource at Maitland. The main zone of mineralisation is open at depth and the latest drilling intersected a previously unrecognised hanging wall zone at the northern end of the deposit (i.e. MTRC 14, 31 metres @ 1.4% Cu) that is also open along strike and at depth. Additional drilling will also be carried out to test for extensions and repeats of the known mineralised shoots at Maitland.

Oasis Prospect – (Uranium)

Esso drilled 32 diamond core holes and 14 percussion holes at the Oasis uranium prospect in 1978. The drilling defined significant uranium mineralisation over a strike length of approximately 300 metres and to a depth of 120 metres. Better reported intersections include 9.5 metres @ 0.23% U_3O_8 from 28 metres and 6.7 metres @ 0.23% U_3O_8 from 48 metres depth.

Glengarry has drilled 4 diamond core holes for a total of 467 metres at Oasis. The drilling was designed to check the grade and continuity of the mineralisation indicated by the Esso drilling. All holes intersected significant mineralisation:

- **LYD 1** 10 metres @ 0.12% U_3O_8 from 54 metres.
- **LYD 2** 7 metres @ 0.17% U_3O_8 from 34 metres.
- **LYD 3** 5 metres @ 0.15% U_3O_8 from 92 metres.
- **LYD 4** 2 metres @ 0.12% U_3O_8 from 170 metres.



**Oasis Prospect – Diamond core drilling
(September 2005)**



Operations Review (continued)

The uranium mineralisation is hosted by quartz-veined biotite schist in a north-south trending shear zone within granitic rocks. The Oasis shear zone is interpreted to splay off a major north northeast trending structure known as the Lynd Mylonite Zone (Figures 2 & 4).

Regional geophysical data indicate that the prospective shear zone extends for several kilometres to the south of the known uranium mineralisation with the existing drilling only testing 300 metres of the prospective structure.

Reconnaissance aircore drilling is planned to test for additional, shallow open pittable mineralisation along strike from the known mineralisation. There is also good potential to define high grade mineralisation below the existing drilling. Deep open hole, percussion drilling by Esso to a depth of 250 metres intersected up to 15 metres of the mineralised host unit; however, the drill samples were not assayed due to poor sample recoveries.

Metallica JV – (Uranium)

Agreement was reached with Metallica Minerals during the year for Glengarry to earn 80% of the uranium rights on Metallica's EPM 14987 which is located adjacent to the Oasis uranium prospect (Figure 4). A regional airborne geophysical survey flown by the Queensland

government in 1999 had defined a number of strong radiometric anomalies on the Metallica JV ground and previous exploration in the 1970's had recorded high uranium values in stream sampling. The Oasis shear structure is interpreted to continue into the Metallica JV (Figure 4).

A detailed 200 by 50 metre soil sampling program comprising 620 samples was completed by Glengarry over the interpreted position of the Oasis shear on the Metallica JV area. Moderately anomalous uranium values up to 49 ppm were recorded; however, no priority targets that warrant drilling were defined. The source of the strong radiometric anomaly defined by the airborne geophysics appears to be "hot" granites that contain high background levels of uranium and other radioactive elements.

The Oasis shear on the northern part of the Metallica JV area is largely obscured by transported alluvium and neither soil sampling or airborne geophysics is an effective exploration technique. Reconnaissance costeaning is planned across the area to test for possible shallow economic uranium mineralisation beneath the transported cover.

T3 Prospect – (Silver/Lead/Zinc/Copper)

The T3 base metal prospect is situated in lithologies belonging to the southern strike extension of the Balcooma Metamorphic Sequence which host Kagara Zinc's high grade base metal operations approximately 60 kilometres to the northeast. Exploration at T3 in 1981 reported up to 52 g/t silver, 11.1% lead and 8% zinc in an outcrop that has never been tested by drilling. Reconnaissance exploration by Glengarry confirmed the location of the mineralised outcrop which appears to be situated on an altered geological contact.

A 200 by 50 metre soil sampling program comprising 1,820 samples was completed across the T3 area during the year. Assays recorded extensive, strongly anomalous polymetallic geochemistry including up to 3.4 g/t silver, 776 ppb gold, 760 ppm copper, 81 ppm molybdenum, 924 ppm lead and 1,255 ppm zinc. The values are consistent with Balcooma style mineralisation and infill sampling is planned to better define targets for initial drill testing.

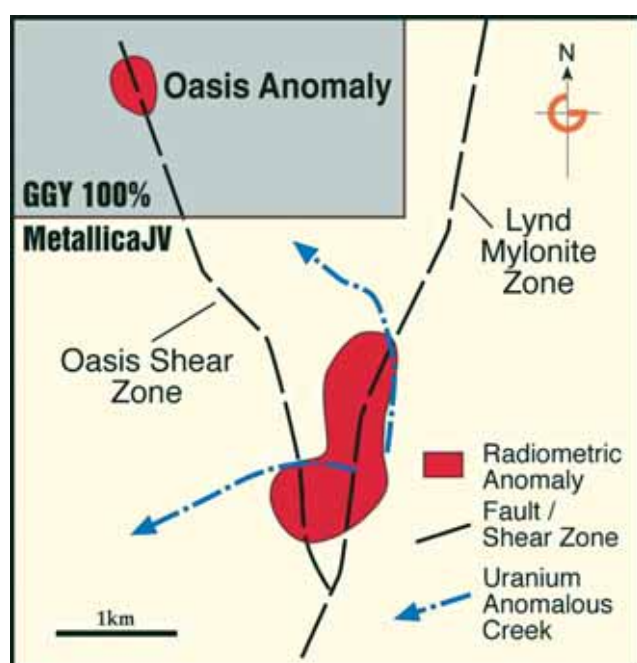


Figure 4

Plan showing Oasis prospect and Metallica JV



Operations Review (continued)

Mt Remarkable Prospect – (Gold)

The Mt Remarkable gold prospect has a similar geological and geophysical setting to the 3 million ounce Mt Leyshon gold deposit that is located approximately 230 kilometres to the southeast. Previous stream sampling by several companies recorded strongly anomalous gold values; however, the bedrock source of the gold has never been defined and there has been no drilling.

A 200 by 50 metre soil sampling program comprising 639 samples was completed across the Mt Remarkable area late in the year. Assay data has not yet been received; however, the Company is confident that drill follow up will be warranted.

CANNINGTON PROJECT (Glengarry 100%)

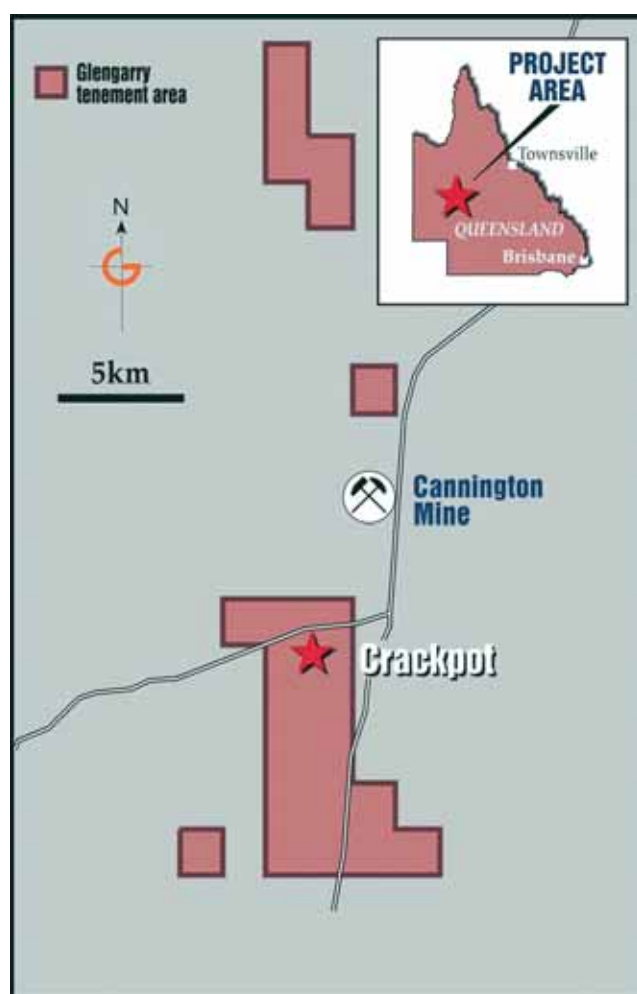


Figure 5
Cannington Project

This Project is located 300 kilometres southeast of Mt Isa in western Queensland and within 4 kilometres of the 60 million tonne Cannington silver-lead-zinc mine (Figure 5). Cannington is owned and operated by BHP Billiton Limited and is the world's largest silver mine producing 7% of total world production. Glengarry's tenements lie within the covered southeast strike extension of the Cannington corridor - a structural/stratigraphic package of rocks hosting the Cannington deposit and hence prospective for similar ore bodies. Exploration potential is also good for iron oxide copper/gold deposits similar to the Osborne mine which is west of Glengarry's Project area.

An IP survey was completed during the year over the Crackpot area where strongly anomalous lead (up to 0.24%) and molybdenum (up to 0.29%) have been recorded in gossanous float. The IP survey is an electrical technique which can detect primary sulphides (i.e. the source of gossanous material) beneath barren cover.

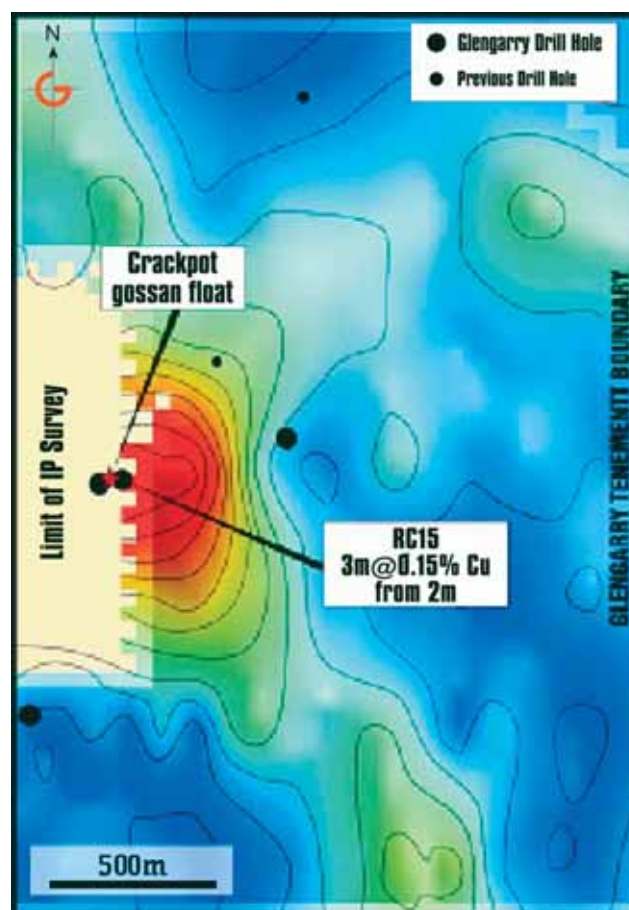


Figure 6
Image showing IP anomaly east of Crackpot

Operations Review (continued)

The IP work on Glengarry's tenure was part of a larger survey completed by BHP Billiton on adjacent tenements. The IP data indicates a strong conductive anomaly immediately east of the area of gossanous float at Crackpot (Figure 6). BHP Billiton's survey was completed on lines 400 metres apart and further infill IP is planned to better define the anomaly to ensure optimal siting of follow up drilling. This is scheduled to take place early in the 2007 field season.

A drill program comprising 330 metres in 3 reverse circulation percussion drill holes was also completed to test 3 gravity anomalies defined last year 5 to 10 kilometres southwest of the Cannington deposit. All holes intersected gabbroic intrusions which appear to form paleotopographic highs beneath the transported cover. The gabbroic bodies explain the source of the gravity anomalies and no follow up is planned.

NEW PROJECTS

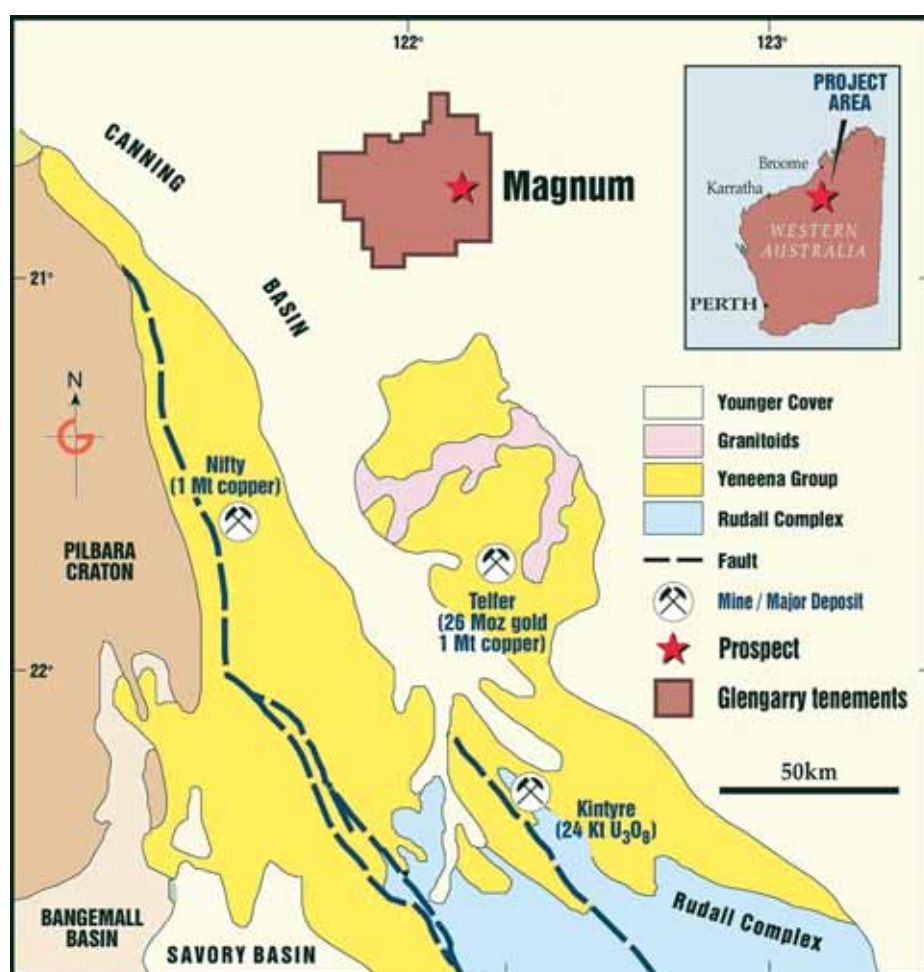
Glengarry maintained an active project generation effort during the year to identify opportunities in under explored but well mineralised areas of Australia. This resulted in the acquisition of the Citadel and Rum Jungle Projects which are discussed below:

CITADEL PROJECT (Glengarry 100%)

Glengarry Resources Limited has applied for a 1,700 square kilometre area located 100 kilometres north of the Telfer gold mine in northwest Western Australia (Figure 7). The region is prospective for gold, copper and uranium and contains several world class metal deposits:

- Telfer (26 Moz gold, 1 Mt copper)
- Nifty (1 Mt copper)
- Kintyre (24 Kt tonnes U_3O_8).

Previous exploration by other companies confirms that Glengarry's new tenements are highly prospective for the similar deposits.



Operations Review (continued)

Drilling by previous explorers located the Magnum gold-copper prospect within the Citadel Project with significant intersections including:

- **8 metres @ 3.5 g/t gold and 4.4% copper from 279 metres**
- **4 metres @ 11.7 g/t gold from 261 metres**
- **15 metres @ 14.1 g/t gold from 464 metres**
- **5 metres @ 1.23 g/t gold and 2.43% copper from 211 metres**

The mineralisation at Magnum comprises multiple gold and copper zones which remain open along strike and at depth. Further drilling is required to fully assess the potential of the prospect.

Previous exploration by other companies in the Citadel area has included regional and detailed geophysical surveys, geochemical surveys and drilling. This has provided a comprehensive database which will allow rapid delineation of drill targets for future exploration. Glengarry has also acquired the complete exploration database for the Citadel Project from Gindalbie Metals Limited who held the area prior to Glengarry applying for the tenements.

Geologically, the Citadel Project is in the northern part of the Proterozoic Paterson Province which includes the prospective Yeneena Supergroup that hosts the world class metal deposits listed previously. In the Project area, the prospective lithologies are obscured by up to 100 metres of cover sediments which mean traditional surface exploration methods are ineffective. However, geophysical surveys have successfully defined targets (including the Magnum prospect) beneath this younger cover. Numerous targets defined by earlier geophysical surveys have not yet been tested by drilling.

Additionally, sampling of granitic units south of the area indicates that they are enriched in uranium and that they would provide a good source for the development of economic uranium mineralisation in palaeochannels and at unconformities between geological sequences of different ages. No previous exploration for uranium has been conducted within the Citadel Project.

Glengarry is completing a systematic review of the previous data to determine future exploration strategies for the Project. The new tenement applications are

expected to be granted near the end of 2006 and fieldwork is scheduled to commence in April 2007.

RUM JUNGLE PROJECT (Glengarry 100%)

Glengarry has applied for three contiguous exploration licences covering an area of approximately 140 square kilometres in the Rum Jungle area located 65 kilometres south of Darwin in the Northern Territory. The Project is proximal to the historical Rum Jungle uranium mine (3,530 tonnes U_3O_8) and the Woodcutters lead-zinc mine (~6 Mt @ 12% zinc and 6% lead).

The tenement package is considered prospective for both uranium and gold mineralisation. A number of radiometric anomalies have been defined by regional geophysical surveys and previous explorers have intersected significant gold mineralisation (e.g. up to 3 metres @ 47.8 g/t) at several areas within Glengarry's tenure.

Native Title has been extinguished over the area and all applications should be granted promptly. Compilation of previous exploration data is in progress and initial field reconnaissance will commence shortly.

JOINT VENTURE FARM-OUTS

Glengarry has three other properties being managed by joint venture partners.

Snake Creek JV Project

The Snake Creek Project is located in western Queensland approximately 125 kilometres southeast of Mt Isa and is prospective for copper-gold mineralisation. The Project was joint ventured to Xstrata Copper in December 2004. Xstrata has the right to earn up to a 75% interest by spending \$3 million on exploration over a five year period.

Xstrata negotiated grant of the Snake Creek tenement with the local Native Title claimants and commenced field work in the second half of 2005. Initial mapping and soil geochemistry identified several anomalous copper and gold areas in the northern part of the Project; however, Xstrata did not consider that these warranted drill testing.



Operations Review (continued)

A recent review by Xstrata identified the central part of the Project as being prospective. Previous explorers had not adequately assessed this area and Xstrata has commenced a major soil sampling program to test for anomalous copper and gold. No assay data has yet been received for this work, which was delayed due to unseasonable wet weather.

Mt Guide JV Project

The Mt Guide Project is located in western Queensland approximately 35 kilometres south of Mt Isa and is prospective for base metal and gold mineralisation. The Project was joint ventured to Summit Resources Limited in March 2005. The tenement covers 13 kilometres of the southern strike extension of the Mt Isa Paroo Fault, which is known to be the structural control on a number of world class deposits to the north including the Mt Isa and Hilton base metal mines.

Summit earned an 80% equity in the Joint Venture by spending more than \$500,000 on exploration during the year. Glengarry has elected not to contribute to the next phase of Joint Venture expenditure and the Company's 20% Joint Venture interest will convert to a 10% Joint Venture interest which is to be free carried until completion of a Bankable Feasibility Study.

Summit has identified four priority targets on the Mt Guide JV and has already drilled holes at two of the prospects; i.e., Apogee and Red Bull. Five diamond core holes were completed for a total of 1,538 metres; however, two of the holes completed did not reach target depth due to significant hole deviation.

Drilling at the Red Bull prospect intersected strong quartz-dolomite brecciation similar to that seen around copper ore bodies at Mt Isa but no significantly anomalous base metal results were recorded.

Inningarra JV Project

The Inningarra Project is located in the Northern Territory approximately 35 kilometres southwest of the multi-million ounce Callie gold deposit near the southern margin of the prospective Tanami-Granites geological complex. Rocks belonging to the prospective Dead Bullock Formation, which hosts the Callie Deposit, are interpreted to occur beneath younger transported

sediments which cover most of the 193 square kilometre property.

Glengarry entered into a joint venture with Newmont Tanami Pty Ltd in 2003 whereby Newmont must spend \$275,000 to earn 70% equity in the Inningarra Project. Newmont is responsible for negotiating access to the tenement with the Traditional Owners. These negotiations are yet to be finalised and exploration has not yet commenced.

TERMINATED PROJECTS

Charters Towers Project

Glengarry has agreed to sell the Charters Towers Project to Mantle Mining Corporation Limited, a company who plans to list on the ASX late in 2006. Mantle has a number of advanced gold projects in the North Queensland region. Glengarry will be allocated 3,000,000 shares in Mantle immediately following listing as consideration for the Charters Towers Project.

Corporate Matters

CASH POSITION

At the end of June 2006 Glengarry held approximately \$1.4 million in cash.

EXPLORATION EXPENDITURE

Glengarry expended a total of \$2.25 million on exploration and associated administration costs in the year under review. Expenditure on direct exploration rose from approximately \$900,000 last year to approximately \$1.47 million dollars this year which represents an increase of 60%. In contrast administration costs only increased 20% to approximately \$780,000.

The Company intends to maintain a dynamic exploration program in the coming twelve months with strong emphasis on drilling and other in-ground exploration. A similar level of exploration to the past year is anticipated in the 2006/2007 financial year.

CAPITAL RAISINGS

On 12 September 2005, the Company announced that it raised \$947,303.60 via a 15% placement of 23,682,590 ordinary shares fully paid at 4 cents.



Operations Review (continued)

On 10 March 2006, the Company announced that it raised \$1,350,000 via a 15% placement of 27,000,000 ordinary shares fully paid at 5 cents to clients of Far East Capital.

Subsequent to the end of the year, Glengarry announced on 13 September 2006 that it had raised \$1,008,000 via a placement of 24,000,000 ordinary shares fully paid at 4.2 cents per share to clients of Patersons Securities Limited ("Patersons"). The Company also announced an offer to shareholders to participate in a Share Purchase Plan ("SPP"). Under the SPP, up to \$4,998 worth of shares was offered to each registered holder at the record date (14 September 2006). The SPP is underwritten to the maximum amount allowable under the ASX Listing Rules. At the date of this report the SPP was not yet complete.

Glengarry Resources Limited now has 232,566,528 fully paid shares on issue and a total of 6,250,000 unlisted options.

NEW APPOINTMENTS

Long time Director and Company Secretary Mr Allan Harris retired from all roles with Glengarry Resources Limited on 10 March 2006.

Mr Darren Gordon and Mr Bill Manning joined the Board of the Company as Non-Executive Directors on 10 March 2006. Both men are well-respected industry professionals with extensive corporate knowledge.

Mr Des Kelly and his associate Ms Janelle Burns were appointed as Joint Company Secretaries on 10 March 2006. Both have extensive experience in the resources sector and are currently Company Secretaries to a number of exploration companies. Additionally, Mr Kelly has assumed the role of Chief Financial Officer with the Company.

David Richards
29 September 2006

Abbreviations

Ag	Silver
Au	Gold
Cu	Copper
EPM	Exploration Permit for Minerals
GGY	Glengarry Resources Limited
g/t	grams per tonne
IP	Induced Polarisation
JORC	Joint Ore Reserve Committee
JV	Joint venture
km	kilometres
Kt	Thousand tonnes
lbs/t	Pounds per tonne
Mo	Molybdenum
Moz	Million ounces
Mt	Million tonnes
m	metres
Pb	Lead
ppb	parts per billion (1ppb = 0.001 gram per tonne)
ppm	parts per million (1ppm = 1 gram per tonne)
RC	Reverse Circulation (drilling)
U ₃ O ₈	Uranium oxide
Zn	Zinc

