
Quantum Resources Limited

ABN 84 006 690 348

**REPORT TO SHAREHOLDERS
FOR THE HALF YEAR ENDED
31 DECEMBER 2005**

**THIS REPORT SHOULD BE READ IN
CONJUNCTION WITH THE 2005 ANNUAL
FINANCIAL REPORT**

Quantum Resources Limited
ABN 84 006 690 348
Chairman's Report

15 March 2006

Dear Shareholder

Quantum Resources Limited ("Quantum" or "the Company") is an Australian gold explorer with a suite of projects whose tenements cover in excess of 4,000 square kilometres in Western Australia and the Northern Territory. The Whiteheads, St Ives and Jackson projects are the major focus of exploration within Western Australia, whilst in the Northern Territory, its tenements are strategically located within lithologies and structural sites with geological similarities to The Granites and Callie deposits of the Tanami region.

Over the past few months, a number of the major international and Australian gold producers have approached the Company to either joint venture or purchase interests in tenements held by the Company. The Company assesses each approach on its merits and will continue to consider such approaches that it believes are in the best interests of all shareholders.

Project Reviews

Whiteheads Project (Quantum earning 80%)

The Whiteheads Project is located 60 kilometres northeast of Kalgoorlie within the metamorphosed rocks of the Gindalbie Greenstone Belt. The area hosts mafic and felsic volcanics, sediments, and altered intrusive porphyries between two major terrane-bounding faults, the Mt Monger Fault to the west and the Emu-Randall Faults to the east. The project areas surround the historic Gindalbie Mining Centre which has produced 45,240 ounces of gold at an average grade of 27 g/t gold and the Lindsays Prospect, owned by Carrick Gold Limited, which has announced an indicated resource of 6.84 million tonnes @ 2.63 g/t gold for 576,576 ounces.

The Company's areas adjacent to the Lindsay's Find resources have previously returned weak gold anomalies on the margin of an internal syenite intrusive and were thought to be alluvial and draining from the Lindsay's Find prospect to the north. Some of these anomalies could be residual and require follow up.

Prospects in the northern portion of the Company's tenements are still unable to be completely tested because several of the leases are yet to be granted.

St. Ives Project (Quantum 100%)

The Company's St Ives project covers 4 granted exploration licences and 1 pending application covering approximately 162 square kilometres of the prospective Lake Lefroy area, 60 kilometres south of Kalgoorlie. Most of the tenements are located immediately east of the main Boulder- Lefroy shear system, which is the major host to the gold mineralisation from the mines of the Kambalda/St Ives area through to Kalgoorlie.

Exploration licence 15/704 however, lies within the prospective Zuleika Shear zone, on the northeast limb of the Widgiemooltha granite dome. The Widgiemooltha dome has intruded into the folded greenstone sequence which consists of mafic, ultramafic and felsic volcanics and metasediment sequences. These rocks are host to numerous nickel and gold deposits adjacent to and along strike of the Company's tenement.

The Cardiff Castle historical workings and more recent open pits are enclosed within a prospecting licence which is totally surrounded by the Company's tenement. During the previous quarter, selected geological samples were taken across the stratigraphy which included a chert and black shale horizon which acts as a marker unit. Anomalous gold and nickel values were obtained. Further sampling is required to assess the potential for gold and nickel mineralisation.

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Chairman's Report

Jackson Project (Quantum 100%)

The project area covers 756 square kilometres of the Barlee-Marda Greenstone Belt which is located 100 kilometres north of Southern Cross. In the region, there is a history of small scale underground gold production and more recently, significant reserves of 123,000 ounces of gold (1.64 million tonnes @ 2.3 g/t gold) have been delineated by Cape Lambert Iron Ore, formerly International Goldfields Ltd.

During the quarter, the Company completed a field visit to a number of tenements to collect samples from selected exposed horizons within the weathering profile. A total of 88 soil, laterite and rock samples were collected and submitted for low level gold and multi element analysis. The gold results were generally only background level with a peak value of 58 ppb in sample Q6791 and a maximum nickel value of 400 ppm in sample Q6795.

The Company believes that the ongoing review of previous exploration results, as well as the completion of its own more extensive geochemical sampling programme, is necessary to enable a comprehensive analysis of the prospectivity of this project.

Tanami Regional Gold Project (Quantum 100%)

The Company currently holds tenements covering approximately 1,580 square kilometres in the highly prospective Tanami region of the Northern Territory and has recently acquired, under joint venture, an additional 15,000 square kilometres of prospective gold tenements.

The Company is waiting on a response to meetings held with the traditional Aboriginal Landholders with regard to its exploration application and the seeking of consent to enter into negotiations with the Central Land Council with regard to ELA23150 to ELA23153.

These ELA's relate to the Mt Davidson, Madam Pele and Hordern Hills prospects respectively. Previous explorers have returned anomalous gold values from shallow drilling in each of these areas and the Company is reviewing this exploration completed by previous explorers and is generating target areas in anticipation of a positive outcome from discussions with the traditional Aboriginal Landholders.

The Company has farmed out one tenement in the Tanami region to Newmont Tanami Pty Ltd which is earning an interest through exploration. Under the agreement, Newmont is required to spend \$500,000 over 3 years to earn a 75% interest. Newmont are required to spend \$100,000 within the first 12 months. Once Newmont have earned their 75% interest, the Company has the right to convert its 25% contributing interest into a 10% free carried interest to decision to mine. If a feasibility study prepared by Newmont results in a proposal that does not meet Newmont's development criteria, the Company has the right to buy-back Newmont's participating interest for 200% of Newmont's exploration costs.

Gardner Range (Quantum 100%)

The Company has made application for tenements in the Gardner Ranges 150 kilometres southeast of Hall's Creek. The tenements are prospective for Olympic Dam-style iron oxide gold-copper-uranium deposits, or unconformity related uranium deposits such as those in the Athabasca Basin in Canada. The Athabasca Basin has produced a significant proportion of total world uranium output.

Limited exploration for uranium around the margins of the Gardner Ranges was carried out in the early 1980's, and uranium mineralization was found to be present. Areas to the north along a significant fault system over 60 kilometres long did not attract enough attention.

The tenements are now surrounded to the north by Cameco, the large Canadian uranium producer. Modern day geochemical and geophysical methods will be employed to assess these areas.

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Chairman's Report

Wanganoo Joint Venture (Quantum 20%)

The Company's Dingo Range prospect at Wanganoo is the subject of the Wanganoo joint venture with Cullen Exploration Pty Ltd as managers having earned an 80% interest.

Exploration to date within E53/988 has uncovered a number of untested geochemical and magnetic anomalies which are targets for gold and nickel sulphide mineralisation. These anomalies lie on contacts or within favourable komatiitic host rocks with interpreted strike extents of at least 4 kilometres.

A lag sampling programme completed in July 2005 across an interpreted NW-SE shear zone within E53/988, indicated a gold anomaly of 2-35ppb gold in an area measuring 800 x 500 metres. Limited RAB drilling in the area of this lag anomaly by previous explorers has returned a number of low-grade, bottom of hole anomalies in altered and quartz veined dolerite (up to 1 metre @ 0.32 g/t gold), however further RAB traverses are warranted which will commence in 2006.

A ground EM (electro magnetic) survey is due to commence within the joint venture tenement targeting conductive bodies within prospective ultramafic units. The survey is targeting a 4 kilometre long trend of ultramafics within E53/988, where strong nickel (to 6405ppm) and copper (to 3525ppm) anomalies from previous RAB traverses occur on contact komatiite positions.

Corporate

The attached financial statements for the half year have been prepared for the first time in accordance with the new Australian Equivalents to International Financial Reporting Standards ("AIFRS"). As a result, readers will notice significantly different disclosures from those they are used to seeing. The implementation of AIFRS has not had a major financial impact on the Company. Management has spent many hours analysing the new standards and preparing the half yearly financial statements and I thank them for this work.



J.I. Gutnick
Chairman & Managing Director

The technical information in this report has been reviewed and approved by Mr K Washburn who is Member of the Australasian Institute of Mining & Metallurgy and who has over 26 years experience in the exploration field.

Quantum Resources Limited
ABN 84 006 690 348
Directors' Report

The Directors of Quantum Resources Limited present their report for the half year ended 31 December 2005.

1. Directors

The Directors of the Company in office during the half year and at the date of this Report are:

Mr Joseph Gutnick FAusIMM FAIM MAICD
Chairman and Managing Director

Dr David Tyrwhitt PhD(Geology) BSc(Hons) FSEG(USA) FAusIMM CPGeo
Non-Executive Director

Mr Mordechai Gutnick
Non-Executive Director

2. Review and Results of Operations

The Company recorded a net loss of \$325,356 (2004: \$236,853) for the half-year ended 31 December 2005.

Objectives

The Company's objective is to increase shareholder wealth through successful exploration activities whilst providing a safe workplace and ensuring best practice in relation to its environmental obligations.

The key opportunity for the Company during the year has been the advancement of its exploration projects however, this has been hampered by its cash resources.

Income Statement

Revenue

Quantum as a mineral exploration company does not have an ongoing source of income. Revenue received is normally from adhoc investment and tenement disposals, interest from cash in bank and loans receivable.

In the 2005 half-year, revenue has decreased from \$3,169 in 2004 to \$861 in 2005 due to the decrease in interest income.

Expenses

Expenses increased from \$240,022 for the 2004 half year to \$326,217 for the 2005 half year. Exploration expenditure written off increased from \$16,829 in 2004 to \$405,236 in 2005 as a result of the write down of previously capitalized exploration expenditure on non-prospective tenements. Administration costs decreased from \$220,946 in 2004 to \$216,762 in 2005. A majority of administration costs did not vary from the 2005 half year to the 2004 half year; finance costs being interest on borrowings increased from \$2,247 in 2004 to \$9,444 in 2005 as a result of higher borrowings; and in the 2005 half-year, the Company recovered \$305,225 previously treated as a doubtful receivable. There was no comparable recovery in 2004.

The result is an operating loss for the Company of \$325,356 in 2005 compared to \$236,853 in 2004.

Quantum Resources Limited
Directors' Report

Balance Sheet

During the 2005 half-year the Company's cash balance increased from \$1,393 at 30 June 2005 to \$13,631. Available for sale investments increased in value by \$53,773 at 31 December 2005 as a result of the change in AIFRS whereby the Company now values its available for sale investments at market value rather than at the lower of cost or net realizable value. Exploration costs capitalized decreased from \$461,124 in 2004 to \$203,188 in 2005, representing the write down of exploration expenditure on tenements now considered to be non-prospective and expenditure by the Company to maintain tenements during the half-year net of any costs incurred prior to the granting of tenure which have been written off under the Company's new AIFRS compliant accounting policy. Other non current receivable assets of \$201,864 in 2005 relate to the amount owing by AXIS. Interest is charged on this amount at the rate of 9.35%.

Trade and other payables of \$65,602, represents amounts owing at 31 December 2005 for tenement maintenance and administration costs. Interest bearing borrowings of \$277,285 at 31 December 2005 is the amount owing to Wilzed.

Cash Flow

During the half year to December 2005, the Company made payments in the course of operations of \$227,313, for exploration of \$158,996, advanced \$172,685, received \$401,591 in loan repayments and \$31,645 from the sale of investments and borrowed \$162,450 from Wilzed.

3. Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this Report.

Signed in accordance with a resolution of the Board of Directors at Melbourne this 15th day of March 2006.



J I Gutnick
Director



Chartered Accountants
& Business Advisers

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INDEPENDENCE DECLARATION

**TO : THE DIRECTORS
QUANTUM RESOURCES LIMITED**

As lead engagement partner for the review of Quantum Resources Limited for the half year ended 31 December 2005, 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 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF

Michael Port

PKF
Chartered Accountants

M L Port
Partner

15 March 2006
Melbourne

Quantum Resources Limited
ABN 84 006 690 348
Condensed Income Statement
For the Half-Year Ended 31 December 2005

	Notes	2005 \$	Consolidated 2004 \$
Continuing Operations			
Finance revenue	3	861	3,169
Revenue		<u>861</u>	<u>3,169</u>
Decrease in provision for doubtful receivable		305,225	-
Exploration expenditure written off		(405,236)	(16,829)
Administration expenses		(216,762)	(220,946)
Finance costs	3	(9,444)	(2,247)
Loss before income tax		<u>(325,356)</u>	<u>(236,853)</u>
Income tax expense		-	-
Loss for the period after tax from continuing operations		<u>(325,356)</u>	<u>(236,853)</u>
Loss attributable to members		<u>(325,356)</u>	<u>(236,853)</u>
Earnings per share		Cents	Cents
Basic loss per share for the half-year attributable to ordinary equity holders	4	(0.10)	(0.08)
Diluted loss per share for the half-year attributable to ordinary equity holders	4	(0.10)	(0.08)

The condensed income statement should be read in conjunction with the accompanying notes to the condensed financial statements.

Quantum Resources Limited
Condensed Balance Sheet as at 31 December 2005

	Note	31 December 2005 \$	30 June 2005 \$
ASSETS			
Current Assets			
Cash and cash equivalents		13,631	1,393
Receivables		4,472	143,361
Total Current Assets		18,103	144,754
Non-Current Assets			
Available-for-sale investments		415,043	361,270
Exploration expenditure		203,188	461,124
Receivables		201,864	29,179
Total Non-Current Assets		820,095	851,573
TOTAL ASSETS		838,198	996,327
LIABILITIES			
Current Liabilities			
Trade and other payables		65,602	120,806
Total Current Liabilities		65,602	120,806
Non-Current Liabilities			
Interest bearing borrowings		277,285	108,628
Total Non-Current Liabilities		277,285	108,628
TOTAL LIABILITIES		342,887	229,434
NET ASSETS		495,311	766,893
EQUITY			
Issued capital	5	51,982,991	51,982,991
Reserves		1,031,950	978,176
Accumulated losses		(52,519,630)	(52,194,274)
TOTAL EQUITY		495,311	766,893

The condensed balance sheet should be read in conjunction with the accompanying notes to the condensed financial statements

Quantum Resources Limited
Condensed Cash Flows Statement for the Half Year Ended 31 December 2005

	2005 \$	Consolidated 2004 \$
Cash flows from operating activities		
Payments in the course of operations	(227,313)	(196,907)
Interest received	861	2,248
Borrowing costs paid	(3,234)	(3,149)
Net cash (used in) operating activities	(229,686)	(197,808)
Cash flows from investing activities		
Payments for exploration expenditure	(158,996)	(143,693)
Proceeds from loan receivable	401,591	345,182
Loans to other entity	(172,685)	-
Proceeds from disposal of available-for-sale investments	31,645	-
Net cash provided by investing activities	101,555	201,489
Cash flows from financing activities		
Transaction costs on issue of shares	(22,081)	-
Proceeds from borrowings	162,450	-
Net cash provided by financing activities	140,369	-
Net increase in cash held	12,238	3,681
Cash and cash equivalents at beginning of period	1,393	1,070
Cash and cash equivalents at end of period	13,631	4,751

The condensed cash flows statement should be read in conjunction with accompanying notes to the condensed financial statements.

Quantum Resources Limited
Condensed Statement of Changes in Equity for the Half-Year Ended
31 December 2005

Consolidated	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2004	51,611,771	(51,622,701)	1,033,438	1,022,508
Net gains on available-for-sale financial assets	-	-	220,401	220,401
Total income and expense for the period recognised directly in equity	-	-	220,401	220,401
Loss for the period	-	(236,853)	-	(236,853)
Total recognised income / expense for the period	-	(236,853)	220,401	(16,452)
At 31 December 2004	51,611,771	(51,859,554)	1,253,839	1,006,056
At 1 July 2005	51,982,991	(52,194,274)	978,176	766,893
Net gains on available-for-sale financial assets	-	-	53,774	53,774
Total income and expense for the period recognised directly in equity	-	-	53,774	53,774
Loss for the period	-	(325,356)	-	(325,356)
Total recognised income / expense for the period	-	(325,356)	53,774	(271,582)
At 31 December 2005	51,982,991	(52,519,630)	1,031,950	495,311

The condensed statement of changes in equity should be read in conjunction with the accompanying notes to the condensed financial statements.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS

Quantum Resources Limited (the "Company") is a company domiciled in Australia. The financial report of the Company for the half-year ended 31 December 2005 comprises the Company only and has not been consolidated with any other entity.

The financial report was authorised for issue by the Directors on 15 March 2006.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Quantum Resources Limited as at 30 June 2005, which was prepared based on Australian Accounting standards applicable to financial periods beginning before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by Quantum Resources Limited during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *"Interim Financial Reporting"* and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The Company has elected to early adopt the accounting standard AASB 6 *"Exploration for and Evaluation of Mineral Resources"*.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Company under AIFRS are disclosed in Note 1(c) below.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 8. The note includes reconciliations of equity and profit and loss for comparative periods reported under Australian GAAP (previous GAAP) to those periods under AIFRS.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies

(i) Foreign currency translation

Both the functional and presentation currency of Quantum Resources Limited is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(ii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Finance Interest

Interest revenue is recognised as the interest accrues.

(iii) Finance costs

Financing costs comprise interest payable on borrowings. Interest is recognised as an expense when incurred.

(iv) Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(v) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(vi) Other receivables

Other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(vii) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset of a cash-generating unit exceeds its recoverable amount, the asset or cash generating unit is impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(viii) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current tax is the expected tax payable on the taxable income for the period. The Company has not derived taxable income in either the current or previous periods.

Deferred income tax is determined using the balance sheet method which calculates temporary differences on the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

(ix) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(x) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

Accounting policy applicable for the six months ending 31 December 2004.

Investments in other listed entities were measured at the lower of cost and net realisable value and determined in respect of each security holding. The effect of the change in this accounting policy to the current policy is set out in Note 8.

(xi) Exploration

Exploration expenditure is capitalised for each separate area of interest where rights to tenure are current and:

- (a) such costs are expected to be recovered through successful development and exploitation or by sale; or
- (b) where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

The carrying values of expenditures carried forward are reviewed for impairment at each reporting date when the facts, events or changes in circumstances indicate that the carrying value may be impaired. Accumulated expenditures are written off to the income statement to the extent to which they are considered to be impaired.

Accounting policies applicable for the six months ending 31 December 2004.

The accounting policy was the same as described above with the exception that costs incurred on tenements prior to the granting of tenure were carried forward subject to impairment testing at each reporting date.

The effect of the change in this accounting policy to the current policy is set out in Note 8.

(xii) Trade and other payables

Trade and other payables are stated at cost.

(xiii) Interest-bearing borrowings (related party)

Interest-bearing borrowings are recognised at cost. After initial recognition interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value, if any, being recognised in the income statement over the period of the borrowings on an effective interest basis.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS (Cont'd)

(c) Summary of significant accounting policies (Cont'd.)

(xiv) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability.

2. SEGMENT INFORMATION

The principal business and geographical segment of the Company is mineral exploration within Australia.

3. REVENUE AND EXPENSES	2005 \$	Consolidated 2004 \$
Specific Items		
Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
(i) Finance revenue		
Interest		
Other Entity	756	3,149
Other	105	20
Total finance revenue	<u>861</u>	<u>3,169</u>
(ii) Finance Costs		
Borrowing costs		
Related Parties	6,208	-
Other Entity	3,234	2,228
Other	2	19
Total finance costs	<u>9,444</u>	<u>2,247</u>

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

4. EARNINGS PER SHARE

Basic earnings per share

The calculations of basic earnings per share for the six months ended 31 December 2005 was based on the loss attributable to ordinary shareholders of \$325,356 (six months ended 31 December 2004: loss \$236,853 consolidated) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2005 of 310,597,528 (six months ended 31 December 2004: 290,897,528) calculated as follows:

	2005 \$	Consolidated 2004 \$
Loss attributable to ordinary shareholders		
For the six months ended 31 December		
Loss for the period	(325,356)	(236,853)
	Number of shares	Number of shares
Weighted average number of ordinary shares		
For the six months ended 31 December	310,597,528	290,897,528

Diluted earnings per share

There is no calculation of diluted earnings per share as the effect of converting "out of the money" options at reporting date would be anti-dilutive.

	31 December 2005 \$	30 June 2005 \$
5. ISSUED CAPITAL		
Ordinary shares		
Issued and fully paid 310,597,528 (June 2005: 310,597,528)	51,982,991	51,982,991

There were no movements in the ordinary share capital of the Company for the half-year ended 31 December 2005. Details of the movements in ordinary share capital for the comparative period are contained in the 2005 Annual Report of the Company.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

6. COMMITMENTS	31 December 2005 \$	30 June 2005 \$
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Exploration

(a) Changes in existing commitments

As a result of the Mining Amendment Act 2005 assented to by the Western Australian Government on 12 December 2005 and effective 10 February 2006, the amounts which may be required to retain existing tenements has changed. These commitments are as follows:

Not later than one year	728,920	640,140
Later than one year but not later than five years	2,115,840	1,596,460
	2,844,760	2,236,600

(b) Farm-In contract commitments

The Company is required to spend certain amounts on exploration expenditure and in certain cases make other cash payments to partners to earn interests under Farm-In contracts.

At balance date the amount which may be required to be expended in respect of the abovementioned is as follows:

Later than one year but not later than five years	1,421,683	1,482,221
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However the Company can withdraw from these commitments after spending \$500,000 (2005: \$500,000). To date \$378,317 (2005: \$317,779) has been spent.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

7. GOING CONCERN

The Company has incurred a loss of \$325,356 in the half-year to December 2005 and has a deficiency of working capital of \$47,499. The Financial Report has been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this basis to be appropriate. The Company has signed a term sheet with a US Based Investment Fund for a \$3 million equity line of credit facility. The Company may, at its discretion, issue shares to the Fund at any time over the next 36 months, up to a total of \$3 million. The Company may drawdown up to \$50,000 in any five day period. A commission of five percent will be payable by the Company at the time of issue. In addition, the Company has no reason to doubt that normal credit and borrowing facilities will not continue to be provided by creditors and lenders and the Company will continue to be able to comply with these credit terms and there are no material contingent liabilities which could have an effect on the Company's financial position.

8. EXPLANATION OF TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Company prepared its financial statements in accordance with AGAAP. These financial statements for the half year ended 31 December 2005 are the first the Company is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly the Company has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting these requirements are described in note 1. In preparing these financial statements, the Company has started from an opening balance sheet as at 1 July 2004, the Company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *"First Time Adoption of AIFRS"*.

This note explains the principal adjustments made by the Company in restating the AGAAP balance sheet as at 1 July 2004, and its previously published AGAAP financial statements for the half-year ended 31 December 2004 and for the year ended 30 June 2005.

Exemptions Applied

The Company has made its election in relation to the transitional exemptions allowed by AASB 1 *"First Time Adoption of Australian Equivalents to International Financial Reporting Standards"* as follows:

Designation of previously recognised financial instruments.

Financial instruments were designated as financial assets available for sale at the date of transition to AIFRS.

Share-Based Payment Transactions

AASB 2 *"Share-Based Payments"* is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139. The Company has not elected to adopt this exemption and has applied AASB 132 *"Financial Instruments: Presentation and Disclosure"* and AASB 139 *"Financial Instruments: Recognition and Measurement"* to its comparative information.

Quantum Resources Limited
Notes to the Half-Year Financial Statements
For the Half-Year Ended 31 December 2005

8. EXPLANATION OF TRANSITION TO AIFRS (Cont'd.)

Notes to the reconciliation of equity and profit

1. Exploration and Evaluation – AASB 6 – “*Exploration for and Evaluation of Mineral Resources*” was issued in December 2004.

As at 30 June 2004 and 2005, the carrying value was based on a review carried out by management and agreed upon by the Directors of the Company. The carrying value has been further adjusted to take into account expenditure on ungranted tenements except refundable rents where there are no underlying tenure. The adjustment to the carrying value of the asset at 30 June 2004 is a decrease of \$51,617, at 31 December 2004 a decrease by \$63,094, (cumulative) and at 30 June 2005, a decrease of \$96,025 (cumulative). Exploration expenditure written off as at 31 December 2004 increased by \$11,477 and at 30 June 2005 increased by \$44,408 due to the writeoff of expenditure on tenements classified as ungranted.

2. Impairment of Assets – The recoverable amount of non-current assets will be assessed as the higher of net selling price and value in use, on a discounted basis. The Company currently assesses recoverable amounts of non-current assets based on undiscounted future net cash flows. The Company's non-current assets (other than exploration and evaluation and receivable assets) are not material and therefore, the Company does not believe the impairment of assets test will have a material effect on the Company's financial position.
3. Property Plant and Equipment - There was no property, plant and equipment at 30 June 2004, 31 December 2004 or 30 June 2005.
4. Income Tax – The change from the calculation of deferred tax balances using the income statement method to the AIFRS compliant policy of using the balance sheet method has had no impact on recognised deferred tax balances or an income tax expense. Recoupment of the Company's carry forward tax losses cannot be considered probable as defined in AASB 112 “*Income Taxes*”, therefore deferred tax balances remain unrecognised as was the case under the “virtually certain” test under previous GAAP.
5. Share Based Payments – Under AASB 2 Share Based Payments, the Company is required to determine the fair value of options issued to employees as remuneration and recognise an expense in the income statement. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. No adjustment has been made for share based payments made prior to 1 January 2005 as the Company has elected not to re-calculate comparatives and it had not disclosed the fair value of those equity instruments, determined at measurement date, at the time.
6. Non Current Liabilities – Fair value is considered to approximate cost as interest is charged at commercial rates.
7. Available-for-sale Investments – The investments have been restated to fair value, quoted market price at the close of business on the balance sheet date. The adjustment to the carrying value of the asset at 30 June 2004 is an increase of \$413,748, at 31 December 2004 an increase of \$634,149 and at 30 June 2005 no adjustment was required as the asset had been revalued under AGAAP.
8. No material impacts occurred to the cash flows re-stated under AGAAP on adoption of AIFRS.

Quantum Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2005

8. EXPLANATION OF TRANSITION TO AIFRS (Cont'd.)

Summary of transitional adjustments (continued)

The following table sets out the adjustments to the Balance Sheet of the Company at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative periods Balance Sheets as at 31 December 2004 and 30 June 2005.

	CONSOLIDATED 1 JULY 2004			CONSOLIDATED 31 DECEMBER 2004			THE COMPANY 30 JUNE 2005		
	Previous GAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS
ASSETS									
<i>Current assets</i>									
Cash and cash equivalents	1,070	-	1,070	4,751	-	4,751	1,393	-	1,393
Receivables	9,309	-	9,309	515	-	515	143,361	-	143,361
Total current assets	10,379	-	10,379	5,266	-	5,266	144,754	-	144,754
<i>Non-current assets</i>									
Available-for-sale investments	206,122	413,748	619,870	206,122	634,149	840,271	361,270	-	361,270
Exploration expenditure	281,404	(51,617)	229,787	533,764	(63,094)	470,670	557,149	(96,025)	461,124
Receivables	244,480	-	244,480	85,096	-	85,096	29,179	-	29,179
Total non-current assets	732,006	362,131	1,094,137	824,982	571,055	1,396,037	947,598	(96,025)	851,573
Total assets	742,385	362,131	1,104,516	830,248	571,055	1,401,303	1,092,352	(96,025)	996,327

Quantum Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2005

8. EXPLANATION OF TRANSITION TO AIFRS (Cont'd.)

Summary of transitional adjustments (Cont'd.)

Reconciliation of Equity continued

	CONSOLIDATED 1 JULY 2004			CONSOLIDATED 31 DECEMBER 2004			THE COMPANY 30 JUNE 2005		
	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS
LIABILITIES									
<i>Current liabilities</i>									
Trade and other payables	81,668	-	81,668	186,174	-	186,174	120,806	-	120,806
Total current liabilities	81,668	-	81,668	186,174	-	186,174	120,806	-	120,806
<i>Non-current liabilities</i>									
Long-term borrowings	340	-	340	209,073	-	209,073	108,628	-	108,628
Total non-current liabilities	340	-	340	209,073	-	209,073	108,628	-	108,628
Total liabilities	82,008	-	82,008	395,247	-	395,247	229,434	-	229,434
Net assets	660,377	362,131	1,022,508	435,001	571,055	1,006,056	862,918	(96,025)	766,893
EQUITY									
Issued capital	51,611,771	-	51,611,771	51,611,771	-	51,611,771	51,982,991	-	51,982,991
Reserves	619,690	413,748	1,033,438	619,690	634,149	1,253,839	978,176	-	978,176
Retained losses	(51,571,084)	(51,617)	(51,622,701)	(51,796,460)	(63,094)	(51,859,554)	(52,098,249)	(96,025)	(52,194,274)
Total equity	660,377	362,131	1,022,508	435,001	571,055	1,006,056	862,918	(96,025)	766,893

Quantum Resources Limited
Notes to the Financial Statements
For the Half-Year Ended 31 December 2005

8. EXPLANATION OF TRANSITION TO AIFRS (Cont'd)

Summary of transitional adjustments (Cont'd.)

Reconciliation of loss for the half year ended 31 December 2004 and year ended 30 June 2005

	CONSOLIDATED 31 DECEMBER 2004			CONSOLIDATED 30 JUNE 2005		
	Previous AGAAP	Transition impact	AIFRS	Previous AGAAP	Transition impact	AIFRS
Finance revenue	3,169	-	3,169	4,158	-	4,158
Other income	-	-	-	125,249	-	125,249
Exploration expenditure written off	(5,352)	(11,477)	(16,829)	(107,906)	(44,408)	(152,314)
Administration expenses	(220,946)	-	(220,946)	(462,847)	-	(462,847)
Finance costs	(2,247)	-	(2,247)	(8,272)	-	(8,272)
Recovery of doubtful receivable	-	-	-	125,792	-	125,792
Carrying value of non current assets sold	-	-	-	(203,339)	-	(203,339)
Loss from continuing operations before income tax	(225,376)	(11,477)	(236,853)	(527,165)	(44,408)	(571,573)
Income tax expense	-	-	-	-	-	-
Loss after tax for the period/year	(225,376)	(11,477)	(236,853)	(527,165)	(44,408)	(571,573)
Basic Earnings Per Share (cents)	(0.08)		(0.08)	(0.18)		(0.19)
Diluted Earnings Per Share (cents)	(0.08)		(0.08)	(0.18)		(0.19)

Quantum Resources Limited
Directors' Declaration

In the opinion of the Directors of Quantum Resources Limited ("the Company"):

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 December 2005 and of its performance;
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a Resolution of the Directors at Melbourne this 15th day of March 2006.



J.I. Gutnick
Director



Chartered Accountants
& Business Advisers

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**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF QUANTUM RESOURCES LIMITED**

Scope

We have reviewed the financial report of Quantum Resources Limited for the half-year ended 31 December 2005 as set out in pages 7 to 24. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The auditor's independence declaration given to the directors would be in the same terms if it had been given at the time the review report was made.

Statement

Based on our review, which is not an audit, we have not become aware of any matters that make us believe that the half-year financial report of Quantum Resources Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the entity's financial position as at 31 December 2005 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement above, attention is drawn to the following matter. As a result of the matters described in Note 7, there is significant uncertainty whether Quantum Resources Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PKF

PKF

Chartered Accountants

16 March 2006
Melbourne

Michael Port

M L Port
Partner