HADDINGTON
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16 March 2006

HALF YEAR FINANCIAL REPORT
TO 31st DECEMBER 2005

The Directors of the Company are pleased to present the Half Year Financial Report for the half year ended 31 December 2005.

The financial result reflects reduced sales of tantalite concentrate following advice from the Administrators of Sons of Gwalia Limited that they were not in a position to receive concentrate from Bald Hill beyond 30 September 2005. The Company continued production and, at the end of the half year, held an inventory of approximately 63,000 lbs of tantalite concentrate.

TANTALUM ALLIANCE WITH MITSUBISHI AND ZINIFEX

During the half the Company announced the establishment of a significant alliance for exploration of its portfolio of tantalum exploration areas and the acquisition of other tantalum mining and marketing businesses.

The alliance with Mitsubishi Development Pty Ltd, one of Australia's largest producers of coal; and Zinifex Limited, one of the world's largest integrated zinc and lead companies, significantly enhances Haddington's exploration effort, reduces the risk in Haddington's strategy of becoming an independent tantalite producer, and provides the opportunity to expand its position in the tantalite market through participation in the acquisition of other tantalite production businesses.

The Alliance will identify, explore, evaluate, develop, mine and process tantalum reserves and market tantalum product from Haddington's exploration areas.

The Alliance excludes an area within a five kilometre radius of the Company's existing Bald Hill treatment plant, where it may continue mining and processing operations for its own benefit.

The Alliance will also participate in the acquisition of upstream tantalum assets including exploration tenements, operating mines and processing facilities.

BALD HILL PRODUCTION HIGHLIGHTS –:

- **95,244 tonnes of ore mined.**
- **165,332 tonnes of ore treated.**
- **111,307 pounds of tantalite produced.**
- **Revenues from sales of tantalite $3.3 million.**

Production was derived from completion of the South Pit and Hill View Pit during the half.

TANTALITE PRODUCTION OPERATIONS - BALD HILL PROJECT

In the six-month period the Company treated 165,332 tonnes of ore at Bald Hill and produced 111,307 pounds of tantalite.

The Bald Hill treatment plant maintained consistent production performance for the half and continued to improve recoveries and operate with reduced costs.

The Bald Hill plant was closed on 21st December for the Christmas break. The plant will remain closed to undergo a maintenance and upgrade program during the March quarter.

A mining lease application is being processed for the Creekside deposit. Aboriginal Heritage Agreements have been signed by the Company and a heritage survey was completed in January.

The Company has prepared a Notice of Intent to Mine for lodgement when its Mining Lease has been granted.

During the half the Company announced it would bring forward plans to independently market tantalite concentrate from its Bald Hill operation after the Administrators of Sons of Gwalia Limited (subject to Deed of Company Arrangement) advised that they were not in a position to receive concentrate from Bald Hill beyond 30 September 2005 and that they would not require production from Bald Hill to completion of the Licence Agreement on 31 March 2006.

MARKETING OF TANTALITE CONCENTRATES

The Company has appointed its alliance partner Mitsubishi Development Pty Ltd (MDP) as its exclusive Sales Representative for the marketing of its tantalite production from the Bald Hill Project.

MDP will market the Company's current inventory of tantalite concentrates and will seek buyers for ongoing production from the Bald Hill project.

At the end of the half the Company held an inventory of approximately 63,000 pounds of tantalite and, through MDP, had commenced marketing initiatives in relation to its inventory and potential ongoing production from the Bald Hill project.

The Company is confident that it will secure buyers for the concentrate from Bald Hill, which has very low levels of radioactive minerals and other detrimental minerals.

The Company is currently reviewing its operating strategy for the Bald Hill Project and is investigating the feasibility of the known resources at Bald Hill.

TANTALITE EXPLORATION ACTIVITIES

BALD HILL EXTENDED PROJECT, MADOONIA PROJECT & YALLABURRA PROJECT, WA

During the half systematic exploration of the Bald Hill region continued on behalf of the Exploration Alliance with the objective of identifying resources near to the Bald Hill treatment plant. Mapping, rock chip sampling and RAB geochemistry has highlighted two prospective pegmatite fields to the north east of Bald Hill.

The exploration program was designed to follow up previous broad spaced soil sampling of the Bald Hill regional tenements included in the Exploration Alliance. RAB drilling commenced at the end of November 2005 and by the end of the half 278 holes had been drilled for a total of 5233 meters. Samples representing partially oxidized bedrock, generally corresponding to 'bottom of hole' lithology, were collected and analysed for pathfinder minerals caesium, lithium and rubidium. Results for this program were reported previously.

At Madoonia 20kms north east of Bald Hill several broad north west trending lithium anomalies have defined a pegmatite field extending over an area 2.5kms by 2.0kms. Rock chip sampling returned results as high as 469ppm Ta_2O_5 and an RC drilling program is planned for this area in January.

A second north west trending group of pegmatites was also discovered by a regional RAB drilling program on Bald Hill Extended tenements. The drilling identified an area containing previously unknown pegmatites approximately 5 to 7 kms northeast of Bald Hill known as the Clay Pan Prospect. Pegmatite was intersected in 16 holes in this area and several hidden pegmatites were intersected below 10 metres of cover.

Large anomalies for pathfinder minerals rubidium and lithium are characteristic of this area. Further mapping is underway and RC drilling is planned for the area.

Rock chip samples were also taken from pegmatites outcropping within other Haddington tenements at Bald Hill. High levels of lithium have been identified in pegmatites 3kms south of Bald Hill and strong tantalum assays were returned from pegmatites near old workings in the Yallaburra tenement approximately 12kms NNW of Bald Hill. These results will be followed up by RC drilling in early 2006.

Yallaburra Prospect

During the quarter the Company again expanded its tantalite exploration portfolio in the Bald Hill area through a licence agreement with Mincor Resources NL on its Yallaburra exploration licence E15/791 located adjacent and to the west of the Bald Hill Extended tenements.

The Yallaburra Area is north and east of the Binneringie granite and covers the contact between the granite and the Archaean sedimentary package that hosts the Bald Hill pegmatites for over 25kms. The eastern edge of the tenement is contiguous with the Company's E15/831 which contains the Creekside Deposit. A number of pegmatites identified to the north of Bald Hill also continue north into Yallaburra. An area approximately 5kms north of Bald Hill has been mined previously on a small scale and there is potential in this area for further blind or sub-cropping pegmatites. Recent rock chip samples have returned results up to 326ppm tantalum.

MT SHOOBRIDGE PROJECT, NT

Early in the half, a pegmatite sampling program was completed at Shoobridge on 500m line spacings with samples taken on 50m intervals. All outcropping pegmatites were mapped and sampled.

Rock chip results indicate that there is a correlation between high tantalum, lithium, rubidium and cesium values suggesting that there maybe tantalum pegmatites of economic interest in the area.

During the pegmatite sampling program an outcrop of massive hematite was discovered at the Two Bobs prospect and evidence of iron mineralization was encountered at KLM Mesa. Twenty rock chip samples were taken and analysed for iron with results between 67.3% and 38.8% for an average grade of 54.56% Fe.

Subsequent research into the iron potential of the area has revealed that a reconnaissance program to investigate iron occurrences in the Mt Shoobridge area was carried out by United Uranium N.L. in 1967.

The report on the reconnaissance states that the KLM Mesa contains an estimated 18.75 million tonnes of 50.76% Fe. This statement of tonnes and grade was made in 1967, is based on reconnaissance sampling only and is not JORC Compliant.

Haddington's priority for exploration in the area will be the tantalite potential, however, the recommendations of the United Uranium report will be followed up and if appropriate, further exploration for iron will be carried out.

PILGANGOORA PROJECT, WA

Two areas at Pilgangoora were evaluated for the tantalum and lithium potential of their pegmatites. A field work program including soil sampling, mapping and rock chip sampling was completed in these areas.

Rock chip samples were collected from approximately 30 recognised pegmatite outcrops.

Many of the Pilgangoora pegmatites returned well above 50ppm tantalum, with the highest being 390ppm, indicating their prospectivity for tantalum mineralisation. Pathfinder elements lithium, caesium and rubidium were also elevated.

The number of significant anomalies recognised at Pilgangoora warrants exploratory drilling to be undertaken in this area over early to mid 2006.

NORTH QUEENSLAND MINES

During the half, the Company granted an exclusive option to purchase all of the shares in its wholly owned subsidiary, Haddington Gold Pty Ltd, to private company North Queensland Mines Pty Limited.

Haddington Gold is the holder of a significant portfolio of prospective copper gold properties in the Cloncurry region of north west Queensland.

North Queensland Mines (NQM) has interests in other copper gold properties in the district and proposes to combine their interests with those of Haddington Gold as the basis for an IPO and listing of their shares on the ASX within the first half of calendar 2006.

NQM has paid the Company $50,000 for an initial three month exclusive option to purchase the shares in Haddington Gold for a consideration of $1.7 million in cash and 4.0 million shares in the IPO. The option may be extended by Haddington for a further three months by payment of a further $50,000.

The divesting of its gold interests is consistent with the Company's ongoing development strategy which seeks to consolidate its position as a viable independent supplier of tantalite concentrates.

CORPORATE

The Company remains in a strong cash position, closing the half with cash of approximately $3.9 million and no debt, in addition to a concentrate inventory containing approximately 63,000 pounds of tantalite with a value of over $4.0 million at our previous contract price. The successful conclusion of the North Queensland Mines transaction would realise another $1.7 million of cash.

The Company is optimistic about its future in the tantalite business and actively reviewing other tantalite businesses and project opportunities on behalf of the Alliance.

It is committed to the success of the Tantalite Exploration Alliance and is also optimistic of exploration success in the areas being explored by the Alliance.

The current review of the feasibility of the known resources at Bald Hill in the light of rising operating costs will determine the ongoing operating strategy for the Bald Hill Project.

The Company remains confident that it will secure a buyer for its tantalite inventory and future Bald Hill production.

ON BEHALF OF THE BOARD OF DIRECTORS OF
HADDINGTON RESOURCES LIMITED.

Colin McCavana
MANAGING DIRECTOR

HADDINGTON RESOURCES LIMITED

ABN 35 089 471 303

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2005

HADDINGTON RESOURCES LIMITED
ABN 35 089 471 303

CONTENTS

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

The directors of Haddington Resources Limited submit herewith the financial report for the half-year ended 31 December 2005. In accordance with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the directors of the Company during or since the end of the half-year are:
Colin McCavana
John Tarrant (Resigned on 28 November 2005)
James Pearson
Clair Medhurst
John Hannaford (appointed alternate for James Pearson on 16 January 2006; resigned on 14 February 2006)

RESULTS

The consolidated after tax profit for the half-year ended 31 December 2005 was \$351,835 (2004: \$618,882).

REVIEW OF OPERATIONS

During the period the consolidated entity's focus consisted of the following:

(a) Production activities at the Bald Hill Tantalum Project.
(b) Marketing of tantalite production from the Bald Hill Tantalum Project.
(c) Exploration for tantalum, gold and other minerals under an Exploration Alliance with Mitsubishi Development Pty Ltd and Zinifex Supermetals Pty Ltd.

The Bald Hill treatment plant will undergo a maintenance and upgrade program during the March quarter in preparation for anticipated processing of ore from the proposed Creekside pit. Most mined ore has been processed with only small stockpiles of ROM and fine ore remaining. The Company has an inventory of approximately 63,000 pounds of tantalite in concentrate ready for sale.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

This interim financial report has been prepared under Australian Equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian Equivalents to IFRS has been included in Note 2 of this report.

AUDITOR INDEPENDENCE

Pursuant to the provisions of section 307C of the Corporations Act 2001, the directors of the Consolidated entity have obtained a declaration of independence from the group's auditors. A copy of the declaration is attached to this report.
Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Colin McCavana
Director

Perth, 16th March, 2006

Grant Thornton

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Haddington 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 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP

GREG LEGUIER
Partner

Dated 16 March 2006

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CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated	
		Half-Year Ended 31 Dec 2005 $	Half-Year Ended 31 Dec 2004 $
Revenue			
Sales revenue (sales of goods)	3(a)	3,304,811	6,904,875
Cost of sales	3(c)	(2,017,878)	(5,274,089)
Gross profit		1,286,933	1,630,786
Other revenues	3(b)	304,726	58,939
Other expenses	3(d)	(1,089,462)	(769,974)
Finance costs	3(e)	(4,072)	(10,225)
Profit before income tax		498,125	909,526
Income tax expense		(146,290)	(290,644)
Profit from continuing operations		351,835	618,882
Total changes in equity other than those resulting from transactions with owners as owners		351,835	618,882
Basic earnings per share (cents per share)		0.642	1.52
Diluted earnings per share (cents per share)		0.608	1.52

The Income Statement is to be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Consolidated	
	31 Dec 2005	**30 June 2005**
	$	**$**
CURRENT ASSETS		
Cash and cash equivalents	3,904,787	5,645,818
Trade and other receivables	105,670	1,407,216
Inventories	3,952,297	1,116,362
Other current assets	129,350	403,863
TOTAL CURRENT ASSETS	8,092,104	8,573,259
NON-CURRENT ASSETS		
Property, plant and equipment	842,391	925,193
Mineral properties	2,127,201	2,263,232
TOTAL NON-CURRENT ASSETS	2,969,592	3,188,425
TOTAL ASSETS	11,061,696	11,761,684
CURRENT LIABILITIES		
Trade and other Payables	329,615	1,426,273
Short-term borrowing	32,296	51,756
Short-term provisions	132,072	284,568
Current taxation liabilities	476,576	591,395
TOTAL CURRENT LIABILITIES	970,559	2,353,992
NON-CURRENT LIABILITIES		
Long term borrowings	59,182	71,018
Long term provision	103,387	158,264
Deferred tax liability/(assets)	37,962	(30,157)
TOTAL NON-CURRENT LIABILITIES	200,531	199,125
TOTAL LIABILITIES	1,171,090	2,553,117
NET ASSETS	9,890,606	9,208,567
EQUITY		
Issued capital	8,773,087	8,442,883
Retained earnings	1,117,519	765,684
TOTAL EQUITY	9,890,606	9,208,567

The Balance Sheet is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Share Capital Ordinary	Retained Profits/(Loss)	Asset Revaluation Re-sale	Minority Interests	Total
Balance at 1.7.2004		6,281,395	(413,671)			5,867,724
Shares issued during the year		500,000				500,000
Subscriptions received in advance of share issue		93,946				93,946
Profit attributable to members of parent entity			618,882			618,882
Profit attributable to minority shareholders			-			-
Sub-total		6,875,341	205,211			7,080,552
Dividends paid or provided for						
Balance at 31.12.2004		6,875,341	205,211			7,080,552
Balance at 1.7.2005		8,442,883	765,684			9,208,567
Shares issued during the year		330,204				330,204
Profit attributable to members of parent entity			351,835			351,835
Profit attributable to minority shareholders			-			-
Revaluation increment						
Sub-total		8,773,087	1,117,519			9,890,606
Dividends paid or provided for						
Balance at 31.12.2005		8,773,087	1,117,519			9,890,606

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Consolidated	
	Half-Year Ended 31 Dec 2005 $	**Half-Year Ended 31 Dec 2004 $**
Cash flows from operating activities		
Receipts from customers	4,581,200	7,675,135
Interest received	140,015	42,419
Interest paid	(13,647)	(10,225)
Payments to suppliers and employees	(6,015,017)	(5,317,942)
Net cash provided by(used in) operating activities	(1,307,449)	2,389,387
Cash flows from investing activities		
Payments for development activities	(29,143)	(1,425)
Payments for exploration activities	(561,523)	(440,472)
Payments for property, plant and equipment	(70,954)	(168,492)
Proceeds from sale of property, plant & equipment	-	26,440
Cash (outflow)/inflow for short term deposits	113	(2,500)
Net cash provided (used in) investing activities	(661,507)	(586,449)
Cash flows from financing activities		
Proceeds from issue of shares	259,223	500,000
Payment of hire purchase liabilities	(31,297)	(140,880)
Subscriptions received in advance of share issue	-	93,946
Net cash provided by financing activities	227,926	453,066
Net increase/(decrease) in cash held	(1,741,030)	2,256,004
Cash at the beginning of the financial period	5,645,818	1,617,688
Cash at the end of the financial period	3,904,787	3,873,692

The Consolidated Cash Flow Statement is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by the Company and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

BASIS OF PREPARATION

The financial statements as at 31 December 2005 have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with AIFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

The directors have also elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 'Employee Benefits' (January 2006), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing of the financial statements as at 1 July 2004, the consolidated entity's date of transition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
b) for receivables and payables which are recognised inclusive of GST.

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

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

(d) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(e) Income tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Haddington Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(f) Intangible assets

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(h) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(j) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(k) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful life, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Buildings 0 - 30 years
- Leasehold improvements 5 years
- Plant and equipment 3 - 10 years
- Equipment under finance lease 3 - 10 years

(l) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Restoration and Rehabilitation provision

Provisions for the restoration and rehabilitation of mine and industrial sites are determined based on the best estimate of the consideration required to settle the present obligation at the reporting date. The provision is based on future expected cashflows, and thus the carrying amount is the present value of those cashflows.

The discount rate is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability unless those risks have been adjusted in the underlying cash flows. The carrying amount of the provision increases each period to reflect the passage of time, with the increase being recognised as a finance charge.

Provisions are reviewed each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, or the adjusted best estimate of future cashflows is lower than previously estimated, the provision is reversed to profit.

Alternatively, if events result in an increase in the estimate of future cashflows the present value calculations will be adjusted and will result in an increase to the finance charge over the remaining expended life of the provision to which it relates. On transition to AIFRS, Haddington Resources Limited have applied the exemptions provided by AASB 1 in determining the carrying amount of these provisions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(n) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(o) Exploration and Evaluation

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting year and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	**Note**	**Previous GAAP at 1.7.2004**	**Economic Entity Adjustments on introduction of Australian equivalents to IFRS**	**Australian equivalents to IFRS at 1.7.2004**
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash assets		1,617,688	-	1,617,688
Receivables		2,152,613	-	2,152,613
Inventories		829,692	-	829,692
Other		272,435	-	272,435
TOTAL CURRENT ASSETS		4,872,428	-	4,872,428
NON-CURRENT ASSETS				
Property, plant and equipment		1,062,092	-	1,062,092
Mineral Properties	4h&i	3,592,060	(251,607)	3,340,453
TOTAL NON-CURRENT ASSETS		4,654,152	(251,607)	4,402,545
TOTAL ASSETS		9,526,580	(251,607)	9,274,973
CURRENT LIABILITIES				
Payables		1,730,747	-	1,730,747
Interest bearing liabilities		406,773	-	406,773
Provisions		257,335	-	257,335
Current taxation liabilities		475,055	-	475,055
TOTAL CURRENT LIABILITIES		2,869,910	-	2,869,910
NON-CURRENT LIABILITIES				
Deferred tax liabilities	4c	424,375	(90,480)	333,895
Interest bearing liabilities		67,701	-	67,701
Provisions	4i	85,750	49,993	135,743
TOTAL NON-CURRENT LIABILITIES		577,826	(40,487)	537,339
TOTAL LIABILITIES		3,447,736	(40,487)	3,407,249
NET ASSETS		6,078,844	(211,120)	5,867,724
EQUITY				
Contributed equity		6,281,395	-	6,281,395
Accumulated losses		(202,551)	(211,120)	(413,671)
TOTAL EQUITY		6,078,844	(211,120)	5,867,724

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Previous GAAP at 31.12.2004	Economic Entity Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 31.12.2004
Reconciliation of Equity at 31 December 2004				
ASSETS				
CURRENT ASSETS				
Cash assets		3,873,692	-	3,873,692
Receivables		1,457,532	-	1,457,532
Inventories		977,718	-	977,718
Other		429,584	-	429,584
TOTAL CURRENT ASSETS		6,738,526	-	6,738,526
NON-CURRENT ASSETS				
Property, plant and equipment		1,050,103	-	1,050,103
Mineral Properties	4h&i	3,180,184	(310,896)	2,869,288
TOTAL NON-CURRENT ASSETS		4,230,287	(310,896)	3,919,391
TOTAL ASSETS		10,968,813	(310,896)	10,657,917
CURRENT LIABILITIES				
Payables		1,715,643	-	1,715,643
Interest Bearing Liabilities		302,907	-	302,907
Provisions		319,556	-	319,556
Current taxation liabilities		697,110	-	697,110
TOTAL CURRENT LIABILITIES		3,035,216	-	3,035,216
NON-CURRENT LIABILITIES				
Deferred tax liabilities	4c	450,449	(90,480)	359,969
Interest bearing liabilities		30,687	-	30,687
Provisions	4i	101,500	49,993	151,493
TOTAL NON-CURRENT LIABILITIES		582,636	(40,487)	542,149
TOTAL LIABILITIES		3,617,852	(40,487)	3,577,365
NET ASSETS		7,350,961	(270,409)	7,080,552
EQUITY				
Contributed equity		6,781,395		6,781,395
Subscriptions received in advance of share issue		93,946		93,946
Accumulated profit		475,620	(270,409)	205,211
TOTAL EQUITY		7,350,961	(270,409)	7,080,552

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2 (cont) : FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Economic Entity Previous GAAP at 30.6.2005	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30.6.2005
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash assets		5,645,818	-	5,645,818
Receivables		1,407,216	-	1,407,216
Inventories		1,116,362	-	1,116,362
Other		403,863	-	403,863
TOTAL CURRENT ASSETS		8,573,259	-	8,573,259
NON-CURRENT ASSETS				
Property, plant and equipment		925,193	-	925,193
Mineral Properties	4h&i	2,572,455	(309,223)	2,263,232
TOTAL NON-CURRENT ASSETS		3,497,648	(309,223)	3,188,425
TOTAL ASSETS		12,070,907	(309,223)	11,761,684
CURRENT LIABILITIES				
Payables		1,426,273	-	1,426,273
Interest Bearing Liabilities		51,756	-	51,756
Provisions		284,568	-	284,568
Current taxation liabilities		591,395	-	591,395
TOTAL CURRENT LIABILITIES		2,353,992	-	2,353,992
NON-CURRENT LIABILITIES				
Deferred tax liabilities/(assets)	4c	58,362	(88,519)	(30,157)
Interest bearing liabilities		71,018	-	71,018
Provisions		140,005	18,259	158,264
TOTAL NON-CURRENT LIABILITIES		269,385	(70,260)	199,125
TOTAL LIABILITIES		2,623,377	(70,260)	2,553,117
NET ASSETS		9,447,530	(238,963)	9,208,567
EQUITY				
Contributed equity	4e	8,435,660	7,223	8,442,883
Accumulated profit		1,011,870	(246,186)	765,684
TOTAL EQUITY		9,447,530	(238,963)	9,208,567

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2 (cont) : FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Economic Entity Previous GAAP	Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
Reconciliation of Profit or Loss for the half-year 31 December 2004				
Sales revenue (sales of goods)		6,904,875	-	6,904,875
Cost of Sales	4i	(5,274,089)	-	(5,274,089)
Gross Profit		1,630,786	-	1,630,786
Other revenues from ordinary activities		58,939	-	58,939
Other expenses from ordinary activities	4e&h	(710,685)	(59,289)	(769,974)
Borrowing costs		(10,225)	-	(10,225)
Profit from ordinary activities before income tax		968,815	(59,289)	909,526
Income tax expense relating to ordinary activities	4c	(290,644)	-	(290,644)
Net profit attributable to members of the parent entity		678,171	(59,289)	618,882
Total changes in equity other than those resulting from transactions with owners as owners		678,171	(59,289)	618,882
Basic earnings per share (cents per share)		1.67		1.52
Diluted earnings per share (cents per share		1.67		1.52
Reconciliation of Profit or Loss for the full year to 30 June 2005				
Sales revenue (sales of goods)		13,355,014		13,355,014
Cost of Sales	4i	(10,407,540)	30,191	(10,377,349)
Gross Profit		2,947,474	30,191	2,977,665
Other revenues from ordinary activities		188,748		188,748
Administration costs		(1,272,296)		(1,272,296)
Other expenses from ordinary activities	4e&h	(311,152)	(63,296)	(374,448)
Borrowing costs		(15,639)		(15,639)
Profit from ordinary activities before income tax		1,537,135	(33,105)	1,504,030
Income tax expense relating to ordinary activities	4c	(322,714)	(1,961)	(324,675)
Net profit attributable to members of the parent entity		1,214,421	(35,066)	1,179,355
Total changes in equity other than those resulting from transactions with owners as owners		1,214,421	(35,066)	1,179,355
Basic earnings per share (cents per share)		2.54		2.54
Diluted earnings per share (cents per share		2.36		2.36

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

		Economic Entity	
		Half-Year Ended 31 Dec 2005 $	Half-Year Ended 31 Dec 2004 $
3.	**PROFIT FROM ORDINARY ACTIVITIES**		
	The operating profit before income tax includes the following items of revenue and expense:		
a)	**Revenue from ordinary activities**		
	Revenue from sales of tantalum concentrate	3,304,811	6,904,875
	Total sales revenues from ordinary activities	3,304,811	6,904,875
b)	**Other revenues from ordinary activities**		
	Interest received	140,015	42,419
	Exploration Income	97,475	-
	Sundry income	67,236	16,520
	Total other revenues from ordinary activities	304,726	58,939
	Total revenue	3,609,537	6,963,814
c)	**Cost of sales**		
	Production costs	1,159,043	3,949,754
	Government mining royalties	165,240	360,212
	Depreciation - plant & equipment	123,393	140,606
	Amortisation of development expenditure	624,457	807,767
	Provision for restoration	(54,255)	15,750
	Total cost of sales	2,017,878	5,274,089
d)	**Other expenses from ordinary activities**		
	Administration	732,874	654,729
	Depreciation - H.O, Corp & Exploration	25,382	13,224
	Impairment of mineral properties	238,919	94,199
	Option Pricing	85,427	-
	Interest Expense	9,575	-
	Exploration Expense	4,834	-
	Research and Development	-	2,060
	Profit/(Loss) on sale of fixed asset	(7,549)	5,762
	Total other expenses from ordinary activities	1,089,462	769,974
e)	**Borrowing costs**		
	Hire purchase interest expense	4,072	10,225

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Notes to the reconciliations of income and equity

4. EXPLANATORY NOTES

a. Impairment

In determining the recoverable amount of non current assets, under the superseded policies, the expected net cash flows had not been discounted to their present values. After taking into account the effect of discounting, no impairments of non current assets have been identified.

Impairment is assessed in relation to the Bald Hill Mining Operation by assessing the recoverable amount of the operation on a cash generating unit basis ('CGU'). The CGU at 30 June 2005 for the mining operation comprised $1,684,387 of assets disclosed as Mining Properties and $593,197 of property, plant and equipment. Recoverable amount has been assessed on a value in use basis and cashflows have been discounted using a pre tax discount rate of 12.5% reflecting the risks associated with the operation.

Impairments have been assessed in line with A-IFRS which does not permit the consolidated entity to take into account future budgeted enhancement expenditure that will ultimately prolong the life of the operation and therefore increase its recoverable amount.

At 31 December 2005 there have been no significant changes to indicate that there would be any impairment of the assets and therefore impairment will be assessed again at 30 June 2006

b. Property Plant & Equipment

On initial adoption of A-IFRS the directors decided that property, plant and equipment will be measured at cost and that the company did not take up the election to treat the fair values of plant and equipment at 1st July 2004 as deemed cost.

Under current Australian GAAP, the consolidated entity's property, plant and equipment is depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices. Under A-IFRS, the residual amount is reviewed at each balance date and revised to the net current amount expected from disposal of the asset if it were already at the age and condition expected at the end of its useful life.

There was no impact on transition or at year ended 30 June 2005 and there is not expected to be any impact at year end June 2006 for the consolidated entity or the company. The dismantling and restoration costs associated with the mine plant has been included in the mineral properties asset balance.

c. Income Tax

On transition to A-IFRS the balance sheet method of tax effect accounting will be adopted rather than the liability method currently applied under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Notes to the reconciliations of income and equity

4. EXPLANATORY NOTES (Cont'd)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither the accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will only be recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

The impact at 1 July 2004, of the change in basis and the transition adjustments of the deferred tax balances and the previously reported tax expense of the consolidated entity was an increase in deferred tax assets of $165,814, an increase in deferred tax liabilities of $75,334 and an increase in retained earnings of $90,480. The impact for the company was an increase in deferred tax assets of $165,814, a decrease in deferred tax liabilities of $284,959 and in increase in retained earnings of $450,773.

The impact of the change in basis on the tax expense for the financial year ended 30 June 2005 was an increase of $1,961 for the consolidated entity and $1,961 for the Company. Deferred tax assets and deferred tax liabilities of the consolidated entity have increase by $340,665 and $252,146 respectively at 30 June 2005. For the Company, the impact at 30 June 2005 is an increase in deferred tax assets of $229,848 and a decrease in deferred tax liabilities of $108,147.

Tax Consolidation

UIG Interpretation 1052 'Tax Consolidation Accounting' proposes a significantly different manner of accounting for income taxes in the tax-consolidated group compared to the present Australian requirements. The approved Interpretation is expected to be applicable for the financial years ended on or after 31 December 2005, and would require that each entity in the tax consolidated group recognises deferred tax assets (other than unused tax losses and unused tax credits) and deferred tax liabilities relating to its own balances. Accordingly, deferred tax liabilities of $249,479 attributable to members of the tax-consolidated group other than the head entity presently recognised by Haddington Resources Ltd (the head entity) as at 31 December 2005 would be derecognised under A-IFRS.

Differences between the current tax liability (or asset) and the amount of any funding amount arising under a tax funding arrangement due to the transfer of tax losses are treated as a contribution by (or distribution to) equity participants. Under the existing tax funding arrangement, no material adjustments in respect of tax consolidation contributions by (or distribution to) equity participants are expected to arise.

d. Business Combinations

The Company did not acquire any businesses or entities for the half year ended 31 December 2005. On initial adoption of A-IFRS the directors have elected not to restate business combinations that occurred before 1 July 2004. Accordingly, the impacts of the adoption of A-IFRS on the financial report will be limited to the recognition of additional deferred tax assets and deferred tax liabilities (refer to note c).

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Notes to the reconciliations of income and equity

4. EXPLANATORY NOTES (Cont'd)

e. Share Based Payments

Under current Australian GAAP, no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value was measured at grant date taking into account market performance conditions only, and will be spread over the vesting period during which the employee becomes unconditionally entitled to the options. The fair value of the options was measured using the Black Scholes model.

No adjustment was made for options granted before 7 November 2002 which have vested before 1 January 2005. Options granted after 7 November 2002 remaining unvested at 31 December 2005 have been recognised in the opening balance sheet through retained earnings resulting in a nil impact on transition.

f. Financial instruments

The directors have elected to apply the first-time adoption exemption available to the consolidated entity to defer the date of transition of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to 1 July 2005. There are no quantitative impacts on the 31 December 2005 financial statements.

g. Earnings Per Share

Under A-IFRS, basic and diluted earnings per share are calculated using the profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity.

The earnings per share for the half financial year ending 31 December 2005 calculated on A-IFRS adjusted results are expected to be:

Basic EPS from continuing operations	0.642
Diluted EPS from continuing operations	0.608

h. Exploration Expenditure

Under A-IFRS, exploration expenditure incurred by the consolidated entity before the grant of relevant exploration permits or tenements, cannot generally be capitalised.

The impact on the consolidated entity at 1 July 2004 is a net decrease in capitalised exploration expenditure of $305,905 (Company: $287,465) and a corresponding increase in retained losses.

The expected impact on the consolidated entity at 31 December 2005 is a net decrease in capitalised exploration expenditure of $182,845 (Company: $53,475) and a corresponding increase in capitalised exploration costs expensed during the year.

i. Restoration and Rehabilitation provision

Under AGAAP, provision for restoration is provided for over the life of the project based on expected future cashflows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Notes to the reconciliations of income and equity

4. EXPLANATORY NOTES (Cont'd)

Under A-IFRS, provisions for the restoration and rehabilitation of mine and industrial sites are determined based on the best estimate of the consideration required to settle the present obligation at the reporting date. The provision is based on future expected cashflows, and thus the carrying amount is the present value of those cashflows.

The impact on the consolidated entity and company at 1 July 2004 in the provision for restoration is an increase of $49,993 to reflect the full discounted cashflow at the end of the project and creation of an asset for rehabilitation of $135,743 with accumulated amortisation of $81,445.

There is no substantial impact on the consolidated entity at 31 December 2005 so no adjustments have been made. The next major review of the provision will be in June 2006.

The discount rate used of 5.25% is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability unless those risks have been adjusted in the underlying cash flows.

The carrying amount of the provision increases each financial year to reflect the passage of time, with the increase being recognised as a finance charge.

5. DIVIDENDS

In respect of the half years ended 31 December 2004 and 2005, the Company has not paid a dividend and no interim dividend is recommended.

6. SEGMENT INFORMATION

The economic entity operated predominantly in one geographical segment being Australia and one business, being mining and exploration of mineral resources.

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or assets at 31 December 2005.

8. EVENTS AFTER THE BALANCE SHEET DATE

The financial report was authorised for issue on 16 March 2006 by the board of directors. There were no other events after the balance sheet date.

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes, as set out on pages 3 to 22 are in accordance with the *Corporations Act 2001:*
   (a) comply with Accounting Standard AASB134: Interim Financial Reporting and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 31 December 2005 and of the performance for the year ended on that date of the company and economic entity.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors:

COLIN McCAVANA
Director

Perth, 16th March 2006

Grant Thornton

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF HADDINGTON RESOURCES LIMITED

Scope

The half-year financial report and directors' responsibility

The half-year financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration for the consolidated entity, for the half-year ended 31 December 2005. The consolidated entity comprises both Haddington Resources Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the half-year 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 half-year financial report.

Review approach

We conducted an independent review of the half-year 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 half-year 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 consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the half-year financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company 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.

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF HADDINGTON RESOURCES LIMITED (cont)

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our review opinion.

Statement

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

(a) the Corporations Act 2001, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of 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.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP

GREG LEGUIER
Partner

Dated 16 March 2006