TRITTON
RESOURCES LIMITED

TRITTON RESOURCES LIMITED

A.B.N. 88 100 095 494

HALF-YEAR REPORT

31 DECEMBER 2005

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Tritton Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This half-year financial information has been lodged with the ASX as required under listing rule 4.2A of the ASX.

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Your directors present their report on Tritton Resources Limited ('the Company") at the end of and during the half-year ended 31 December 2005 and where required, the previous corresponding period for the half-year up to 31 December 2004.

Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

Milan Jerkovic	-	Non - Executive Chairman
Martin Purvis	-	Managing Director
Michael McMullen	-	Non - Executive Director

The following persons were appointed directors of the Company on 1 October 2005:

Mr Peter Storey has been appointed as an executive director. Mr Storey is a qualified geologist with 20 years operational and consulting experience in metalliferous mining operations across Australia. Mr Storey is currently the General Manager Projects and Technical for Straits Resources Limited.

Mr Rick Laing has been appointed as an independent non-executive director. Mr Laing has 30 years experience in human resources and industrial relations in positions in the resources and construction sectors throughout Australia.

Mr Nigel Johnson has been appointed as a non-executive director. Mr Johnson is a chartered accountant, and brings to the Tritton board over 30 years experience in financial and treasury management across a broad range of industries. Mr Johnson is the Chief Financial Officer of Straits Resources Limited.

Mr Ian Culbert resigned as a director of the company on 30 September 2005.

Results for Announcement to the Market

	31 Dec 2005 $'000	31 Dec 2004 $'000	Percentage Increase/ (Decrease)
Revenue from continuing operations	61,375	236	N/A
Net profit (loss) from ordinary activities after tax	9,640	(3,790)	N/A
Net profit (loss) for the period attributable to members	9,640	(3,790)	N/A

Dividends

No dividend has been declared or paid by the Company since the end of the previous financial year.

Financial Results

The Company has adopted the Australian equivalent of the International Financial Reporting Standards ("AIFRS") and is reporting for the first time under these standards. Where affected, the comparative financial statements have been restated to reflect the application of AIFRS to that comparative period. Adjustments on transition to AIFRS have been made retrospectively against opening retained earnings at 1 July 2004. The affects of the adoption of AIFRS are disclosed in note 12 of the notes to the consolidated financial statements.

Revenue from operations for the period was $61.3 million (after delivery into copper and currency hedge contracts realised a loss of $13.8 million) and the gross profit was $10.3 million. Earnings after interest and tax were $9.6 million compared to a loss of $3.8 million in the corresponding period.

As a result of the adoption of AIFRS and, in particular, the inclusion on the balance sheet of the fair market value of the Company's outstanding copper and currency hedge contracts ($69.2 million after tax) as a liability, the Company is reporting a net liabilities position of $20.0 million. Total debt at 31 December 2005 was $31.2 million, down $1.7 million on the debt at 30 June 2005. The Company raised additional equity in the reporting period resulting in a cash inflow of $11.2 million.

Profit and Loss Summary

Six months to 31 December	**2005 ($ million)**	2004 ($ million)
Revenue from continuing operations	**61.3**	0.2
Cost of sales	**(51.0)**	-
Gross Profit	**10.3**	0.2
Other income/gains	**0.5**	-
Other expenses/losses	**(0.8)**	(3.9)
Operating profit (loss) before interest and other debt related costs and tax	**10.0**	(3.7)
Interest (expense) and other debt related costs	**(1.3)**	(0.1)
Operating profit (loss) before tax	**8.7**	(3.8)
Income tax benefit	**0.9**	-
Operating profit (loss) after tax	**9.6**	(3.8)
Outside equity interests	**-**	-
Operating profit (loss) after tax attributable to members	**9.6**	(3.8)

Net Tangible Asset Backing

The net tangible asset backing per ordinary share for the Company as at 31 December 2005 was negative $0.44 (31 December 2004: positive $0.29). The inclusion on the balance sheet of derivative financial instruments as a liability, has materially impacted on the measurement of net tangible asset backing as at 31 December 2005.

Review of Operations

Mining

A total of 289,973 tonnes at 4.06% copper was mined for the half, with the Tritton Copper Operation continuing to increase production levels roughly in line with the ramp up schedule, with full production levels of 65,500 tonnes per month reached in December.

The main underground stoping activity centred on the 5032, 5022 and 5010 stopes, with development being undertaken on the 4980 and 4960 levels. Decline development had reached the 4930RL at the end of the first half.

Production Results		**Dec 2005 Half**	**June 2005 Half**
Underground Ore Produced	Tonnes	289,973	74,920
	Cu%	4.06	4.08
Ore Milled	Tonnes	413,179	338,186
	Cu%	3.29	2.09
Concentrate produced	Tonnes	50,256	25,384
	Cu%	25.53	25.46
Contained Metal	Tonnes Cu	12,832	6,464
	Ounces Au	2,423	1,761
	Ounces Ag	76,200	31,600
Underground development	Metres	2,541	2,063

The Tritton (Upper) orebody has shown itself to be more folded and geologically complex than predicted in the development plans and, as a result, has required proportionally higher levels of development and definition drilling than originally planned for to allow for the maximum recovery of ore.

This complexity has also manifested in the operation to date as higher than expected development mine dilution with additional headings and preparation work required for effective stoping. This inherent complexity, and the relatively short strike lengths in evidence at this stage of the mine's life, have had a negative effect on operational flexibility to date and the ability to establish multiple and flexible stope inventory.

While additional effort in the areas of grade control drilling, stope modelling and mine planning serve to improve this position, the mine remains sensitive to unplanned production disruption. Over the second half, the level of development and advance stope preparation will be increased to improve the level of contingency and flexibility in the mine.

Processing

During the half, the mill continued to process a blend of Murrawombie and Tritton ore as the underground mine ramped up production. The mill has performed consistently well and achieved average recoveries of 94.4%. Mill throughput was increased during the half from 105 tph to a peak rate of 125 tph, equivalent to a production rate of 890,000 tonnes per annum.

A total of 50,256 metric tones of concentrate was produced for the half containing 12,832 tonnes of copper. This is some 1,640 tonnes below budget, brought about by lower underground mine grades relative to that expected and the need to treat a greater proportion of Murrawombie ore than planned.

Exploration

Mine focussed exploration activities during the half identified sub-parallel gossanous horizons associated with the Budgerygar and Bonnie Dundee deposits, confirming that these are not structural offsets. This has opened up extensive positions along strike, including the Tritton horizon, for exploration and potential orebody extension.

Other mine based exploration during the half has focused on testing the "gap" zone, a zone of inferred low metal values between the Tritton upper and lower ore zones. Drilling has confirmed continuity of the mineralisation between the Upper and the Lower zones of a generally vertical nature. Some of the drilling results achieved in this region and previously reported include:

- 5.25 metres @ 4.4% Cu from 335 metres in BDST011
- 8.3 metres @ 5.8% Cu from 416 metres, 7 metres @ 7.2% Cu from 440 metres and 2.7 metres @12.8% Cu from 508 mtres in BDST013
- 36.7 metres @ 4.8% Cu from 491 metres in BDST014

This material is now included within the revised mineral resource as inferred mineral resources.

Regionally, exploration has focused on testing the sulphide extensions to the Murrawombie orebody, with one diamond drill hole returning 7.5 m @ 3.4% copper from 226.5 metres. A program of ore delineation drilling is planned for the third quarter as this deposit is seen as a potential future ore source for the Tritton plant.

Resource and Reserve Estimates

Detailed mineral resource estimates for the Tritton ore body have now been completed following in excess of 12 months of mine development and production and extensive grade control drilling of the Upper Zone.

A mineral resource of 13,570,000 tonnes at 2.55% Cu has recently been defined for the combined Tritton Upper and Lower orebodies, comprising a measured resource of 3,963,000 tonnes at 3.30% Cu, an indicated resource of 8,041,000 at 2.2% Cu and an inferred resource of 1,567,000 tonnes @ 2.34% Cu.

This work has identified a 6% reduction of in-situ tonnes and a 10% reduction in grade relative to the original feasibility resource estimate.

Subsequent detailed mine design has defined a revised (depleted) ore reserve of 8.3 million tonnes at 2.51 % Cu (208,060 tonnes contained copper). This is made up of a proven ore reserve of 2.68 million tonnes at 3.25 % Cu (87,200 tonnes contained copper) and a probable ore reserve of 5.61 million tonnes at 2.15% Cu (120,860 tonnes contained copper) as at 31 December 2005.

The reduction in grade foreshadows the potential need for additional mine working capital, to allow overall copper production targets to be met and additional mine inventory and flexibility to be established.

Increasing mine operating cut-off grades will not necessarily counter this, as the resulting reduction in tonnes inventory per level will force an increase in mine development rates to maintain required production outcomes.

Following the improved understanding of the orebody and the resulting completion of revised ore reserve estimates, a life of mine plan will be developed to incorporate the potential contribution of the regional ore sources at the Budgerygar, Murrawombie and North East sulphide prospects. The results of this work will be presented by year end.

Outlook

On balance the financial performance achieved during the first half is unlikely to be repeated in the second half for a number of reasons. First of all, with the mine reaching satisfactory operating levels, the company was in a position to take up the tax losses generated during the development phase of the mine's life in the first half figures. Second, the hedging profile increases significantly during the period from January to June, being close to the actual levels of planned production and limiting the exposure to spot prices in evidence earlier in the year – albeit at lower production levels.

This latter point, combined with the constraints on production capacity mentioned previously, expose the mine's cash flow position to any unforeseen downtime in production. Notwithstanding a solid production performance over the first half, an issue did occur in the second half of January with a "Bridge" developing in one of the main stopes. Although the stope was recovered in a week, alternative ore sources were not immediately available and this caused a "gap" in the delivery of planned copper tonnes during that period. In order to correct this situation, Tritton rolled the same amount of copper hedges, amounting to 1500t, out to the second half of 2007. Fortunately, the forward curve remains reasonably favourable at this time and by averaging the rate up with 2,250t of new hedges over a similar period, an average strike price of US$2,866/t (A$ 3,930/t) was achieved. The copper and A$/US$ hedging profile for the Company at the date of this report is:

Forward Copper Sales Year ending 30 June	**Volume (tonnes)**	**Contract Rate (US$/tonne)**
2006 (4 months remaining)	8,400	2,181
2007	20,550	2,265
2008	12,600	2,392
2009	7,350	2,237

Forward A$/US$ Sales Year ending 30 June	**US$'000 Sold**	**A$/US$ Rate**
2006 (4 months remaining)	22,867	0.6830
2007	46,556	0.6984
2008	30,142	0.7124
2009	16,442	0.7121

In essence it is clear that the next six months will be a challenging period for the Tritton mining operation, particularly for the reasons highlighted above. That said, July sees a step down in the hedging profile of the operation and the progression of the mine into the broader sections of the orebody and consequently a better operating environment. It is also anticipated that the current focus on exploration will bear fruit and enable the mine to access additional ore sources to supplement the existing underground production within the current calendar year.

Environment, Health and Safety

A high standard of environmental performance and compliance is required for the Tritton operation. To ensure that this is achieved, there is an active programme of internal and external auditing procedures to provide a continuous improvement framework and a control process to maintain overall compliance to regulatory standards and licence requirements.

An external environmental audit was completed by Otek Australia Pty Ltd in November 2005. The audit identified a few minor areas of operational non-conformance which are now in the process of being rectified. An Occupational, Health and Safety audit ("OHS") is scheduled for April 2006 to be conducted by KASA Environmental.

An OHS Management System is being implemented to standardise safety management and measurement. There were 4 lost time injuries at the operation during this reporting period.

Rounding of Amounts to Nearest Thousand Dollars

Tritton Resources Limited is a company of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Directors' Report and financial report. Unless stated otherwise, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the directors.

M Purvis
Managing Director

Perth
10 March 2006

Tritton Resources Limited ABN 88 100 095 494
Interim financial report - 31 December 2005

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Tritton Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

This interim financial report covers the company consisting of Tritton Resources Limited and its subsidiaries. The financial report is presented in Australian dollars.

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

Tritton Resources Limited
Level 1, 35 Ventnor Avenue
WEST PERTH WA 6005

A description of the nature of the entity's operations and its principal activities is included in the directors' report on pages 3 to 7, which is not part of this financial report.

The financial report was authorised for issue by the directors on 10 March 2006.

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

Tritton Resources Limited
Income statement
For the half-year ended 31 December 2005

	Notes	Half-year ended 2005 $'000	2004 $'000
Revenue from continuing operations	3	**61,375**	236
Other income	4	**466**	-
Cost of goods sold	5	**(51,028)**	-
Corporate expenses		**(844)**	(2,073)
Finance cost, net		**(1,290)**	(64)
Exploration expense		**-**	(1,858)
Profit (loss) before income tax		**8,679**	(3,759)
Income tax benefit (expense)	6	**961**	(31)
Profit (loss) for the half-year		**9,640**	(3,790)
Profit (loss) attributable to members of Tritton Resources Limited		**9,640**	(3,790)
		Cents	Cents
Earnings (loss) per share for profit (loss) attributable to the ordinary equity holders of the company:			
Basic earnings (loss) per share		**8.2**	(3.4)
Diluted earnings (loss) per share		**8.2**	(3.4)

The above income statement should be read in conjunction with the accompanying notes.

Tritton Resources Limited
Balance sheet
As at 31 December 2005

	Notes	31 December 2005 $'000	30 June 2005 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**7,833**	4,955
Receivables		**13,617**	555
Inventories		**4,676**	6,888
Advance mining development expenditure		**3,908**	-
Other		**-**	4,543
Total current assets		**30,034**	16,941
Non-current assets			
Receivables		**1,571**	1,083
Property, plant and equipment		**33,800**	34,873
Exploration, evaluation and development		**1,321**	1,244
Mine properties		**30,684**	27,949
Deferred tax assets		**35,124**	47
Other		**313**	4,926
Total non-current assets		**102,813**	70,122
Total assets		**132,847**	87,063
LIABILITIES			
Current liabilities			
Payables		**13,285**	13,034
Interest bearing liabilities		**15,863**	11,902
Non-interest bearing liability		**250**	250
Provisions		**235**	221
Derivative financial instruments	8	**58,235**	-
Other		**-**	4,543
Total current liabilities		**87,868**	29,950
Non-current liabilities			
Payables		**580**	406
Interest bearing liabilities		**13,748**	19,252
Non-interest bearing liability		**1,375**	1,500
Provisions		**1,565**	1,295
Derivative financial instruments	8	**42,977**	-
Deferred tax liabilities		**4,786**	359
Other		**-**	6,861
Total non-current liabilities		**65,031**	29,673
Total liabilities		**152,899**	59,623
Net (liabilities) assets		**(20,052)**	27,440
EQUITY			
Contributed equity	7	**49,483**	38,219
Reserves	9(a)	**(67,975)**	577
Accumulated losses	9(b)	**(1,560)**	(11,356)
		(20,052)	27,440
Total equity		**(20,052)**	27,440

The above balance sheet should be read in conjunction with the accompanying notes.

	Half-year ended 2005 $'000	2004 $'000
Total equity at the beginning of the half-year	**27,440**	35,621
Adjustment on adoption of AIFRS accounting standards:		
Accumulated losses - AASB 132	**156**	-
Reserves - AASB 132 and AASB 139	**(16,485)**	-
Cash flow hedges, net of tax	**(52,789)**	-
Net expense recognised directly in equity	**(69,118)**	-
Profit (loss) for the half-year	**9,640**	(3,790)
Total recognised expense for the year	**(59,478)**	(3,790)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	**11,264**	-
Shares issued under ESAP	-	586
Share options issued	**722**	-
	11,986	586
Total equity at the end of the half-year	**(20,052)**	32,417

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Half-year ended 2005 $'000	2004 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**27,479**	2,868
Payments to suppliers and employees (inclusive of goods and services tax)	**(28,731)**	(5,884)
	(1,252)	(3,016)
Interest received	**54**	347
Interest paid	**(1,280)**	(173)
Net cash outflow from operating activities	**(2,478)**	(2,842)
Cash flows from investing activities		
Payments for exploration expenditure	**(77)**	(6,794)
Payments for mine properties	**(3,992)**	-
Payments for property, plant and equipment	**(638)**	(17,781)
Net cash outflow from investing activities	**(4,707)**	(24,575)
Cash flows from financing activities		
Proceeds from issue of shares	**11,264**	-
Proceeds from borrowings	**6,000**	17,397
Repayment of borrowings	**(7,003)**	(125)
Lease payments	**(187)**	(38)
Net cash inflow from financing activities	**10,074**	17,234
Net increase (decrease) in cash and cash equivalents	**2,889**	(10,183)
Cash and cash equivalents at the beginning of the half-year	**4,955**	15,511
Effects of exchange rate changes on cash and cash equivalents	**(11)**	-
Cash and cash equivalents at end of the half-year	**7,833**	5,328

The above cash flow statement should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Tritton Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation of half-year financial report

The accompanying financial statements have been prepared on a going concern basis, which contemplates continuity of business activities, and realisation of assets and the settlement of liabilities in the ordinary course of business. As at 31 December 2005, the company has a deficiency in working capital and shareholders equity, however, the Directors are confident that adequate funding will be available to support the continuity of operations of the company for the following reasons:

(i) An expectation that the company will produce sufficient copper to deliver into its committed hedge contracts and generate profits and net cashflow from operations sufficient to meet its debt repayment schedule;

(ii) The company has immediate access to funding of $2 million from Straits Resources Limited, the company's 58% shareholder, via a convertible credit facility, which is undrawn at the date of this report;

(iii) Straits Resources Limited's commitment and support to ensuring that Tritton is an integral part of its copper strategy;

(iv) The company has continued support from its banker, Macquarie Bank Limited, including the intention by both parties to commence discussions in the June 2006 quarter with respect to potentially rescheduling current debt repayment arrangements.

Statement of Compliance
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
This interim financial report is the first Tritton Resources Limited interim financial report to be prepared in accordance with AIFRS. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Tritton Resources Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Tritton Resources Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The company has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the company's equity and its net income are given in note 12.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(d) Revenue recognition

Sales revenue comprises of revenue earned from the provision of products to entities outside the company. Sales revenue is recognised when the product is delivered and:

(i) risk has been passed to the customer;

(ii) the product is in a form suitable for delivery;

(iii) the quantity of the product can be determined with reasonable accuracy;

(iv) the product has been despatched to the customer and is no longer under the physical control of the company;

(v) the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

Interest income is recognised as it accrues.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

1 Summary of significant accounting policies (continued)

(f) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(g) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date based on the best available evidence of the price at which the instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts which are payable on demand.

(j) Trade receivables

Trade receivables and other receivables are recorded at fair value based on estimated amounts due less any provision for doubtful debts. Provision for doubtful debts is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

1 Summary of significant accounting policies (continued)

(k) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Derivatives

From 1 July 2004 to 30 June 2005
The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The company has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 1 July 2005
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 8. Movements in the hedging reserve in shareholders' equity are shown in note 9.

(i) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

1 Summary of significant accounting policies (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

(n) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of an item of property, plant and equipment also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Under AASB116, Property, Plant and Equipment, the cost of an asset must include any estimated costs of dismantling and removing the asset and restoring the site on which it is located. The capitalised rehabilitation and mine closure costs are depreciated along with other costs included in the asset over the asset's useful life. The depreciation expense is included in the costs of goods sold.

Depreciation on mine property, plant and equipment (excluding land) is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the proved and probable mineral reserves, or on a straight-line basis over the estimated useful life of the asset, as follows:

- Plant and equipment	3 - 10 years
- Vehicles	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of half year period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1 Summary of significant accounting policies (continued)

(q) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The adoption of AIFRS has resulted in a substantial change in the accounting treatment of the rehabilitation and mine closure provision.

Under the former AGAAP, future rehabilitation and mine closure costs were accrued over the life of the mine and included in the cost of goods sold.

AASB 137 Provisions, Contingent Liabilities, and Contingent Assets requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money. The discounted rate must not reflect risks for which future cash flow estimates have been adjusted.

As the value of the provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Shares options granted before 7 November 2002
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002
The fair value of options granted under the Tritton Resources Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The market value of shares issued to employees under the employee and executive share acquisition scheme (ExSAP) is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(s) Contributed equity

Ordinary shares are classified as equity.

1 Summary of significant accounting policies (continued)

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area are continuing.

Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which that decision is made.

(v) Development properties

Development properties represent the acquisition costs and/or accumulation of exploration and evaluation expenditure in respect of areas of interest in which economically recoverable reserves have been identified but for which mine development has not commenced.

No amortisation is provided in respect of pre development properties until they are reclassified as "Mine Properties" following a decision to develop the mine.

(w) Mine properties

Mine properties represent the acquisition cost and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis so as to write off the cost in production to the depletion of the proved and probable mineral reserves.

(x) Advance mining development

Certain mining costs, principally those that relate to levels of development which are expected to be used for shorter periods than the mine life have been capitalised and included in the Balance Sheet. These costs are deferred based on the percentage of level development metres unmined and taken to the cost of production as level development metres are mined.

1 Summary of significant accounting policies (continued)

(y) Financial instrument transaction costs

The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The company has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the company was immaterial.

(z) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Segment information

The company operates predominantly in one business segment, being copper production, exploration, evaluation and development in Australia. The company's operations are located in New South Wales.

The company sells its product to one customer, Sempra Metals and Concentrates Corp., a company incorporated in the United States of America.

3 Revenue

	Half-year ended	
	2005	2004
	$'000	$'000
Sales revenue		
Sales	**61,321**	-
	61,321	-
Other revenue		
Interest received from non related parties	**54**	236
	54	236
	61,375	236

4 Other income

	Half-year ended	
	2005	2004
	$'000	$'000
Foreign exchange gains (net)	**449**	-
Sundry sales	**17**	-
	466	-

5 Profit (loss) for the half-year

	Half-year ended 2005 $'000	2004 $'000
Profit (loss) before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	1,839	83
Total depreciation	1,839	83
Amortisation		
Plant and equipment under finance leases	50	36
Motor vehicles under lease	87	-
Mine properties	1,257	80
Total amortisation	1,394	116

6 Income tax (benefit) expense

	Half-year ended 2005 $'000	2004 $'000
(a) Income tax (benefit) expense		
Current tax	2,603	31
Tax losses recognised	(3,564)	-
	(961)	31
Income tax (benefit) expense is attributable to:		
Profit (loss) from continuing operations	(961)	31
Aggregate income tax (benefit) expense	(961)	31
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit (loss) from continuing operations before income tax expense	8,679	(3,759)
	8,679	(3,759)
Tax at the Australian tax rate of 30% (2004 - 30%)	2,603	(1,128)
Other	-	31
Tax losses and timing differences recognised	(3,564)	-
Unbooked tax losses	-	1,128
Income tax (benefit) expense	(961)	31

7 Equity securities issued

	2005 Shares	2004 Shares	2005 $'000	2004 $'000
Issues of ordinary shares during the half-year				
Exercise of options	500,000	-	199	-
Shares issued for consideration:				
Shares issued under the Tritton Resources Limited Employee Share Acquisition Plan	-	2,175,325	-	1,675
Non-renounceable entitlements issue	32,992,950	-	11,065	-
	33,492,950	2,175,325	11,264	1,675

8 Derivative financial instruments

	31 December 2005 $'000	30 June 2005 $'000
Current liabilities		
Forward copper and foreign currency contracts - cash flow hedges	58,235	-
Total current derivative financial instrument liabilities	58,235	-
Non-current liabilities		
Forward copper and foreign currency contracts - cash flow hedges	42,977	-
Total non-current derivative financial instrument liabilities	42,977	-
Total derivative financial instrument liabilities	101,212	-

9 Reserves and accumulated losses

	31 December 2005 $'000	30 June 2005 $'000
(a) Reserves		
Hedging reserve - cash flow hedges	(69,274)	-
Share-based payments reserve	1,299	577
	(67,975)	577

	31 December 2005 $'000	30 June 2005 $'000
Movements:		
Hedging reserve - cash flow hedges		
Opening Balance	-	-
Adjustment on adoption of AASB 132 and AASB 139 - cash flow hedge	(23,551)	-
Adjustment on adoption of AASB 132 and AASB 139 - deferred tax	7,066	-
Revaluation	(89,244)	-
Deferred Tax	26,773	-
Transfer to income statement, net of tax	9,682	-
Closing Balance	(69,274)	-

9 Reserves and accumulated losses (continued)

	31 December 2005 $'000	30 June 2005 $'000
Movements:		
Share-based payments reserve		
Opening Balance	**577**	-
Sempra options issued	**722**	-
Option expense - Employee Share Acquisition Plan	**-**	587
Sale of shares - Employee Share Acquisition Plan	**-**	(10)
Closing Balance	**1,299**	577

(b) Accumulated losses

Movements in accumulated losses were as follows:

	31 December 2005 $'000	30 June 2005 $'000
Opening balance	**(11,356)**	(2,557)
Net profit (loss) for the year	**9,640**	(8,799)
Adjustment on adoption of AASB 132	**156**	-
Closing Balance	**(1,560)**	(11,356)

(c) Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges
The hedging reserve is used to record gains or losses on hedging instruments in a cash flow hedge that are recognised directly in equity, as described in note 1(l). Amounts are recognised in the income statement when the associated hedged transaction affects profit and loss.

(ii) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

10 Contingencies

There were no material changes in contingent liabilities during the period.

11 Events occurring after the balance sheet date

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the half year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or state of affairs of the company in future financial years.

12 Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current assets				
Cash and cash equivalents		13,951	-	13,951
Receivables		1,200	-	1,200
Other financial assets		1,560	-	1,560
Other		99	-	99
Total current assets		16,810	-	16,810
Non-current assets				
Property, plant and equipment	(a)	11,012	872	11,884
Exploration, evaluation and development		14,442	-	14,442
Deferred tax assets	(c)	-	231	231
Other		1,464	-	1,464
Total non-current assets		26,918	1,103	28,021
Total assets		43,728	1,103	44,831
LIABILITIES				
Current liabilities				
Payables		4,915	-	4,915
Interest bearing liabilities		28	-	28
Provisions		9	-	9
Other		99	-	99
Total current liabilities		5,051	-	5,051
Non-current liabilities				
Payables		1,750	-	1,750
Interest bearing liabilities		125	-	125
Provisions	(a)	100	772	872
Deferred tax liabilities	(c)	-	261	261
Other		1,151	-	1,151
Total non-current liabilities		3,126	1,033	4,159
Total liabilities		8,177	1,033	9,210
Net assets		35,551	70	35,621
EQUITY				
Contributed equity		38,177	-	38,177
Accumulated losses	(d)	(2,626)	70	(2,556)
Total equity		35,551	70	35,621

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current assets				
Cash and cash equivalents		5,328	-	5,328
Receivables		946	-	946
Inventories		859	-	859
Other		4,605	-	4,605
Total current assets		11,738	-	11,738
Non-current assets				
Receivables	(b)	1,820	(1,675)	145
Property, plant and equipment	(a)	30,315	996	31,311
Exploration, evaluation and development		24,816	-	24,816
Deferred tax assets	(c)	-	238	238
Other		8,585	-	8,585
Total non-current assets		65,536	(441)	65,095
Total assets		77,274	(441)	76,833
LIABILITIES				
Current liabilities				
Payables		9,880	-	9,880
Interest bearing liabilities		4,140	-	4,140
Provisions		99	-	99
Other		4,605	-	4,605
Total current liabilities		18,724	-	18,724
Non-current liabilities				
Payables		1,738	-	1,738
Interest bearing liabilities		14,263	-	14,263
Provisions	(a)	246	793	1,039
Deferred tax liabilities	(c)	-	299	299
Other		8,353	-	8,353
Total non-current liabilities		24,600	1,092	25,692
Total liabilities		43,324	1,092	44,416
Net assets		33,950	(1,533)	32,417
EQUITY				
Contributed equity	(b)	39,852	(1,675)	38,177
Reserves	(b)	-	588	588
Accumulated losses	(d)	(5,902)	(446)	(6,348)
Total equity		33,950	(1,533)	32,417

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current assets				
Cash and cash equivalents		4,955	-	4,955
Receivables		555	-	555
Inventories		6,888	-	6,888
Other		4,543	-	4,543
Total current assets		16,941	-	16,941
Non-current assets				
Receivables	(b)	2,515	(1,432)	1,083
Property, plant and equipment	(a)	33,678	1,195	34,873
Exploration, evaluation and development		1,244	-	1,244
Mine properties		27,949	-	27,949
Deferred tax assets	(c)	-	47	47
Other		4,926	-	4,926
Total non-current assets		70,312	(190)	70,122
Total assets		87,253	(190)	87,063
LIABILITIES				
Current liabilities				
Payables		13,034	-	13,034
Interest bearing liabilities		11,902	-	11,902
Non-interest bearing liability		250	-	250
Provisions		221	-	221
Other		4,543	-	4,543
Total current liabilities		29,950	-	29,950
Non-current liabilities				
Payables		406	-	406
Interest bearing liabilities		19,252	-	19,252
Non-interest bearing liability		1,500	-	1,500
Provisions	(a)	1,138	157	1,295
Deferred tax liabilities	(c)	-	359	359
Other		6,861	-	6,861
Total non-current liabilities		29,157	516	29,673
Total liabilities		59,107	516	59,623
Net assets		28,146	(706)	27,440
EQUITY				
Contributed equity	(b)	39,852	(1,633)	38,219
Reserves	(b)	-	577	577
Accumulated losses	(d)	(11,706)	350	(11,356)
Total equity		28,146	(706)	27,440

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of loss under previous AGAAP to loss under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of loss for the half-year ended 31 December 2004

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue		236	-	236
Cost of goods sold	(a)	37	(37)	-
Corporate expenses	(b)	(1,484)	(589)	(2,073)
Finance cost, net	(a)	(59)	(5)	(64)
Exploration expense	(a)	(2,004)	146	(1,858)
Loss before income tax		(3,274)	(485)	(3,759)
Income tax expense	(c)	-	(31)	(31)
Loss for the half-year		(3,274)	(516)	(3,790)
Loss attributable to members of Tritton Resources Limited		(3,274)	(516)	(3,790)

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(b) Reconciliation of loss for the year ended 30 June 2005

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue		19,241	-	19,241
Cost of goods sold	(a)	(25,454)	953	(24,501)
Corporate expenses	(b)	(1,784)	(375)	(2,159)
Finance cost, net	(a)	(1,085)	(13)	(1,098)
Loss before income tax		(9,082)	565	(8,517)
Income tax expense	(c)	-	(282)	(282)
Loss for the year		(9,082)	283	(8,799)
Loss attributable to members of Tritton Resources Limited		(9,082)	283	(8,799)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Rehabilitation and mine closure provision

The company has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment.

Under the former AGAAP, future rehabilitation and mine closure costs were accrued over the life of the mine and included in cost of sales.

Under AIFRS, the provision for rehabilitation and mine closure costs associated with an asset is derived by discounting the expected expenditures to their present value. The present value of these costs are capitalised to the associated asset and depreciated over the useful life of the asset. The depreciation charge is included in cost of sales. The present value of the provision increases in each period to reflect the passage of time. This increase is recognised as a borrowing cost and accordingly is excluded from cost of sales. The effect of this is:

(i) At 1 July 2004
For the company there has been an increase of $771,650 in rehabilitation and mine closure provisions, an increase in property, plant and equipment of $871,650 and a decrease in accumulated losses of $100,000.

(ii) At 31 December 2004
For the company there has been an increase of $793,714 in rehabilitation and mine closure provisions, an increase in property, plant and equipment of $996,709, and an increase in accumulated losses of $202,995.

(iii) At 30 June 2005
For the company there has been an increase of $156,543 in rehabilitation and mine closure provisions, an increase in property, plant and equipment of $1,195,816, and a decrease in accumulated losses of $1,039,273.

(iv) For the half-year ended 31 December 2004

For the company, there has been an increase amortisation expense of $37,380, a decrease in rehabilitation cost of $145,539, an increase in rehab account interest of $5,164 and an increase in income tax expense of $30,899.

12 Explanation of transition to Australian equivalents to IFRSs (continued)

(v) For the year ended 30 June 2005
For the company, there has been an increase in amortisation expense of $85,301, a decrease in rehabilitation cost of $1,037,549, an increase in rehab account interest of $12,975 and an increase in income tax expense of $281,783.

(vi) Correction of error made under AGAAP

Under previous AGAAP, the loss for the year ended 30 June 2005 included a charge for rehabilitation which should have been capitalised as part of a tenement acquisition. Under previous AGAAP, this error would have been corrected in the period it was discovered (the half year ended 31 December 2005). Under AIFRS, the 2005 comparatives have been adjusted to reflect the correction of the error.

The effect of this correction is to increase property, plant and equipment by $1,039,273 and decrease accumulated losses by $1,039,273.

(b) Share-based payments

Under AASB 2 *Share-based Payment* from 1 July 2004 the company is required to recognise an expense for those shares and options that were issued to employees under the Tritton Resources Limited Employee Share Acquisition Plan. Under this approach the principal amount of the interest-free limited recourse loans to acquire shares, are reclassified from receivables to a separate class of shareholders' equity.

Share-based compensation is measured as the value of the option inherent within shares issued under these plans and is expensed immediately upon grant of the shares.

The company has elected to adopt the AASB 1 transitional arrangements which allow companies not to fully retrospectively apply AASB 2 Share-based Payments. Under the terms of the transitional arrangements, the cost of the shares issued under these share plans after 7 Novemeber 2002 which had not vested are recognised in the income statement over the vesting period.

The effect of this is:

(i) At 1 July 2004
There is no effect on the company.

(ii) At 31 December 2004
For the company there has been a decrease in receivables of $1,675,000, a decrease in contributed equity of $1,675,000, an increase in share option reserves of $587,991 and an increase in accumulated losses of $587,991.

(iii) At 30 June 2005
For the company there has been a decrease in receivables of $1,431,364, a decrease in contributed equity of $1,632,469, an increase in accumulated losses of $375,856 and an increase in share option reserves of $576,961.

(iv) For the half-year ended 31 December 2004
For the company, there has been an increase in share option expense of $587,991.

(v) For the year ended 30 June 2005
For the company, there has been a decrease in provision for dimunition in share loans of $214,000 and an increase in share option expense of $587,991.

(c) Deferred tax asset / liability

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The effect is as follows:

(i) At 1 July 2004, 31 December 2004 and at 30 June 2005
The effects on the deferred tax asset / liability of the adoption of AIFRS are as follows (tax rate of 30%):

12 Explanation of transition to Australian equivalents to IFRSs (continued)

		1 July 2004 $'000	31 December 2004 $'000	30 June 2005 $'000
Application of AASB 112 to adjustments arising from adoption of other AASBs				
Property, plant & equipment	(a)	261	299	359
Rehabilitation provisions	(a)	(231)	(238)	(47)
Net movement in deferred tax		30	61	312

(ii) For the half-year ended 31 December 2004
For the company this has increased accumulated losses by $30,000 and an increased income tax expense by $30,899

(iii) For the year ended 30 June 2005
For the company this has increased accumulated losses by $30,000 and increased income tax expense by $281,783.

(d) Accumulated losses

The effect on accumulated losses of the changes set out above are as follows:

	Notes	1 July 2004 $'000	31 December 2004 $'000	30 June 2005 $'000
Share-based payments	(b)	-	(588)	(376)
Provisions	(a)	(772)	(793)	(157)
Deferred tax	(c)	(30)	(61)	(312)
Property, plant & equipment	(a)	872	996	1,195
Total adjustment		70	(446)	350

(e) Financial instruments

The company has elected to apply the exemption from restatement of comparatives for AASB 132 Financial instruments: Disclosure and Presentation and AASB 139 Financial instruments: Recognition and Measurement. It has therefore continued to apply the previous AGAAP rules to derivatives, financial assets and financial liabilities and also to hedge relationships for the year ended 30 June 2005.

Under the former AGAAP the fair value of the company's foreign exchange derivatives were recorded in both assets and liabilities in the balance sheet and had no impact on net assets. On transition, derivatives that qualified for hedge accounting under AGAAP also qualify for hedge accounting under AIFRS.

The adjustments required for differences between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 July 2005. Refer note 1 for further details of accounting policies adopted from 1 July 2005.

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 31 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Tritton Resources Limited will be able to pay its debts as and when they become due and payable.

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

M. Purvis

Martin Purvis
Managing Director

Perth

10 March 2006

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Independent review report to the members of Tritton Resources Limited

Statement

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

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Tritton Resources Limited Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

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

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001.* This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

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

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

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

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

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

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
10 March 2006

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Auditor's Independence Declaration

As lead auditor for the review of Tritton 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.

This declaration is in respect of Tritton Resources Limited and the entities it controlled during the period.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
10 March 2006