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**HADDINGTON RESOURCES LIMITED  
ABN 39 093 391 774  
AND CONTROLLED ENTITIES**

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**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2007**

HADDINGTON RESOURCES LIMITED  
ABN 39 093 391 774  
AND CONTROLLED ENTITIES

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**CORPORATE DIRECTORY**

**DIRECTORS**

Colin McCavana (Managing Director)  
James Pearson (Non-Executive Director)  
Clair Medhurst (Non-Executive Director)  
Dennis O'Neill (Non-Executive Director)

**COMPANY SECRETARY**

Stephen Brown (Appointed 24 November 2006)  
John Hannaford (Resigned 24 November 2006)

**REGISTERED OFFICE**

7 Havelock Street  
WEST PERTH WA 6005  
Telephone: (61 8) 9488 5100  
Facsimile: (61 8) 9226 1551  
Email: [info@haddington.com.au](mailto:info@haddington.com.au)  
Website: [www.haddington.com.au](http://www.haddington.com.au)

**AUDITORS**

WHK Horwath  
Level 6, 256 St George's Terrace  
PERTH WA 6000

**SHARE REGISTRY**

Security Transfers Registrars  
770 Canning Highway  
APPLECROSS WA 6153  
Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233

**AUSTRALIAN STOCK EXCHANGE**

Code: HDN

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**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007**

The directors have pleasure in presenting the annual financial statements of Haddington Resources Limited ("Haddington" or "the Company") for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**DIRECTORS**

The names of the directors in office at any time during or since the end of the financial year are:

Mr Colin McCavana  
Mr James Pearson  
Ms Clair Medhurst  
Mr Dennis O'Neill

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**COMPANY SECRETARY**

Mr Stephen Brown appointed 24 November 2006

Mr Brown is a Chartered Secretary and Certified Practising Accountant and has over 20 years experience in the areas of management and financial accounting, general administration and company secretarial functions, primarily within the resources sector.

Mr John Hannaford resigned 24 November 2006

Mr Hannaford is a Chartered Accountant who has acted as Company Secretary of several listed entities in Australia.

**PRINCIPAL ACTIVITIES**

The principal activity of the consolidated entity during the period was exploration for uranium, iron, tantalum, and other minerals within Australia. The Company continued to look for and review other development and exploration activities, both within Australia and overseas.

**OPERATING RESULTS**

The consolidated entity's operating loss after providing for income tax for the year ended 30 June 2007 was \$2,153,570, (2006: loss of \$2,384,048).

**DIVIDENDS**

In respect of the financial year ended 30 June 2007, the company has not paid an interim dividend and no final dividend is recommended. In respect of the financial year ended 30 June 2006, the company did not pay an interim dividend and no final dividend was paid.

**REVIEW OF OPERATIONS**

The prime activity of the consolidated entity during the 2007 financial year was to continue to explore for uranium, iron, tantalum, and other minerals on its tenements located in Western Australia and the Northern Territory, whilst continuing to review other opportunities within Australia and overseas.

A detailed review of the operations for the year is included in the Review of Operations section of the Annual Report.

**SIGNIFICANT CHANGES TO STATE OF AFFAIRS**

During the financial year there were no significant changes in the state of affairs of the consolidated entity not otherwise disclosed in this report or the financial statements.

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#### **AFTER BALANCE DATE EVENTS**

On 23 July 2007 the Company allotted 22,856,194 shares and options upon completion of a renounceable rights issue. The issue raised \$5,256,924 before costs. The options issued have an exercise price of \$0.35 cents each and expire on 31 May 2010.

On 9 August 2007 the Company announced that the formal Transaction Agreement for Haddington to acquire all of the issued shares of Minvest International Corporation had been finalised.

The acquisition of all of the issued shares of Minvest International Corporation was completed on 24<sup>th</sup> September 2007 and Haddington has issued 45,589,645 shares to the shareholders of Minvest International Corporation. The shareholders of Minvest International Corporation have entered into voluntary escrow agreements which prevent the sale of 50% of the Haddington shares for 2 years and 50% of the Haddington shares for 3 years.

Except for the above events, no other matter or circumstances have arisen since the end of the financial year which significantly affected, or may significantly, affect operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

#### **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The Company will continue to assess and evaluate mineral projects and prospects, both within Australia and overseas, in its ongoing quest to find projects that will utilise its corporate, management and operational skills to achieve cash flows and achieve growth.

Subject to satisfactory completion of the Minvest International Corporation acquisition, the Company will derive income from the mining services businesses located in Queensland, Indonesia and Madagascar.

#### **ENVIRONMENTAL ISSUES**

The consolidated entity is committed to achieving a high standard of environmental performance. The board is responsible for regular monitoring of environmental exposures and compliance with environmental regulations. The consolidated entity complied with its environmental performance obligations at all times during the period.

The consolidated entity's tantalum mining, exploration and processing operations at Bald Hill operate within the regulations of the Mining Act 1978 which is administered by the Department of Industry and Resources. The Company has obligations under those regulations to rehabilitate the site following ceasing of mining operations. The Company has progressively rehabilitated waste dumps, tailings impoundments and mining areas during its operations at Bald Hill and since completion of mining has removed pipelines, scarified roads, spread topsoil and generally rehabilitated the mine areas. The Company is committed to being a responsible operator and has adequate provisions in its accounts for the ongoing cost of rehabilitating the site.

#### **INFORMATION ON DIRECTORS**

<b>Colin McCavana</b>	- Managing Director
Qualifications	- Fellow Australian Institute of Company Directors. Member of Australasian Institute of Mining and Metallurgy
Experience	- Over 30 years experience in mining and earthmoving industries. Appointed Managing Director 19 September 1999. Managing Director and Member of the Audit Committee.
Interest in Shares and Options	- 2,634,331 ordinary shares In Haddington Resources Limited and options to acquire a further 1,248,841 ordinary shares
Special Responsibilities	- Member of the Audit Committee
Directorships held in other Listed entities	- Polaris Metals NL Northern Uranium Limited

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<b>James Pearson</b>	Non-Executive Director
Qualifications	- Bachelor of Engineering (University of New South Wales). Graduate Diploma of Applied Finance and Investment (Securities Institute) Member of the Australasian Institute of Mining and Metallurgy
Experience	- Appointed Non-Executive Director 29 August 2001.  Mr Pearson is a consulting mining engineer based in Perth, with over 25 years of experience on projects in Australia and overseas.
Interest in Shares and Options	- 1,225,000 ordinary shares In Haddington Resources Limited and options to acquire a further 350,000 ordinary shares
Special Responsibilities	- Chairman of the Remuneration Committee, Member of the Audit Committee
<b>Clair Medhurst</b>	Non-Executive Director
Qualifications	- Bachelor of Laws (Hons) (London) Bachelor of Laws (University of Western Australia). Fellow Australian Institute of Company Directors
Experience	- Appointed Non-Executive Director 16 May 2002. Member of the Audit Committee and Chairman of the Remuneration Committee.  Ms Medhurst is a commercial lawyer with over 20 years experience in private practice and in corporate positions, advising on the acquisition, development and operation of mining and energy projects in Australia and overseas.
Interest in Shares and Options	- 936,950 ordinary shares In Haddington Resources Limited and options to acquire a further 267,700 ordinary shares
Special Responsibilities	- Chairman of the Audit Committee and Member of the Remuneration Committee
<b>Dennis O'Neill</b>	Non-Executive Director
Qualifications	- Bachelor of Science (Hons) (La Trobe University) Fellow of the Australasian Institute of Mining and Metallurgy
Experience	- Appointed as Non-Executive Director 19 June 2006.  Mr O'Neill has 37 years in the Australian resource and infrastructure sectors in technical, policy, commercial, representational and management positions in both private and public sectors. He has experience in Africa, SE Asia, USA and the Pacific. Mr O'Neill is Managing Director of NuPower Resources Limited.
Interest in Shares and Options	- 575,200 ordinary shares In Haddington Resources Limited and options to acquire a further 475,200 ordinary shares
Special Responsibilities	- Member of the Remuneration Committee
Directorships held in other Listed entities	- NuPower Limited

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**REMUNERATION REPORT**

This report details the nature and amount of remuneration for directors and other key management personnel.

**Remuneration Policy**

The Company's policy is to remunerate fairly and in line with companies of similar, size, operations and in the same industry. Individual remuneration decisions are made by the Remuneration Committee taking into account the following factors:

- The responsibility of the role;
- Experience of the employee;
- Past performance and future expectations;
- Industry conditions and trends.

In order to retain and attract key management personnel of sufficient calibre to facilitate the efficient and effective management of the company's operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages contain the following key elements:

- a) Primary benefits – salary/fees, bonuses and non monetary benefits including the provision of motor vehicles;
- b) Post-employment benefits – including superannuation and prescribed retirement benefits; and
- c) Equity – share options granted under the employee share option plan as disclosed in note 22 to the financial statements.

None of the Company's personnel remuneration packages is linked directly to the Company's profitability or other measure of performance. The Company maintains an Employee Share Option Plan under which employees may be granted options which vest subject to service conditions being met. Directors too have been allocated options as an incentive that could be realised if the Company's share price increases.

The Company is of the view that any direct relationship to performance such as a measure of profits does not take into account other non-monetary factors such as Health, Environment and Safety. The Company's small size makes it more appropriate to offer similar types of incentives to all employees and management.

The Remuneration Committee has had to review remuneration levels during the current year with specific reference to industry trends which have seen significant increases in the levels of base salary and packages being offered to all levels of technical and operations staff in the resources industry. In this context the Committee has undertaken reviews of specific individual's packages and an assessment across the board to ensure that remuneration levels are in keeping with the Company's position relative to its peers and to ensure the retention of key personnel.

**Performance-based remuneration**

The Company has no performance based remuneration in place.

**Company performance, shareholder wealth and director and executive remuneration**

The Company has recorded the following earnings over the last five years:

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Revenues	3,335,059	3,304,811	13,355,014	13,346,840	11,607,830
EBITDA *	(1,602,530)	(771,953)	3,824,913	3,467,952	1,572,558
NPBT *	(1,798,964)	(2,428,963)	1,504,030	1,189,062	(94,069)
NPAT *	(2,153,570)	(2,384,048)	1,179,355	650,425	(364,061)
Dividends	-	-	-	-	-
W. Av. No Shares on issue	55,572,128	55,094,895	46,470,400	39,956,520	37,655,144
EPS *	(3.88)	(4.33)	2.54	1.63	(0.97)

\* Definitions: EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation  
 NPBT = Net Profit Before Tax  
 NPAT = Net Profit After Tax  
 EPS = Earnings per share (calculated based on the weighted average number of shares on issue)

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**Key Management Personnel Remuneration Policy**

The remuneration committee reviews the remuneration packages of all directors and key management personnel on a periodic basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to relevant market conditions and individual's experience and qualification and are benchmarked against comparable industry salaries.

There is a service contract for Mr Colin McCavana which runs for three years from 1 July 2007 and expires 30 June 2010. In the event of termination of the contract either by the Company or in the event of a takeover, the contract prescribes:

- payment of a termination payment equivalent up to one year's salary.
- that Mr McCavana may assume ownership of the motor vehicle leased by the company and provided for his use.
- that Mr McCavana may assume ownership of the laptop computer provided to him by the company.

There are no specific clauses with regard to bonus and share based compensation benefits and these are discretionary. There are no other service contracts between directors and Haddington Resources Limited. Letters of Offer were given to other key management personnel at time of employment

**Key Management Personnel Remuneration**

2007	Short-term employee benefits			Post Employment	Long-Term benefits	Share Based Payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Options	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>							
D O'Neill	39,240	-	-	-	-	33,600	72,840
J Pearson	36,000	-	-	3,240	-	-	39,240
C Medhurst	36,000	-	-	3,240	-	-	39,240
<b>Sub total non-executive directors</b>	<b>111,240</b>	<b>-</b>	<b>-</b>	<b>6,480</b>	<b>-</b>	<b>33,600</b>	<b>151,320</b>
<i>Executive director</i>							
C McCavana	254,127	-	34,827	27,954	11,808	-	328,716
<i>Other key management personnel</i>							
J Hannaford	15,000	-	-	-	-	-	15,000
S Brown	88,887	-	-	8,000	78	5,222	102,187
<b>Total for key management personnel compensation</b>	<b>469,254</b>	<b>-</b>	<b>34,827</b>	<b>42,434</b>	<b>11,886</b>	<b>38,822</b>	<b>597,223</b>

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007 (CONT'D)

2006	Short-term employee benefits			Post Employment	Long-Term benefits	Share Based Payments	
Name	Cash salary and fees	Super-annuation	Cash bonus	Non-monetary benefits	Long service leave	Options	Total
	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>							
J Tarrant	15,000	1,350	-	-	-	-	16,350
J Hannaford	1,500	-	-	-	-	-	1,500
D O'Neill	1,625	-	-	-	-	-	1,625
J Pearson	51,273*	3,240	-	-	-	-	54,513
C Medhurst	36,000	3,240	-	-	-	-	39,240
<b>Sub total non-executive directors</b>	<b>105,398</b>	<b>7,830</b>	-	-	-	-	<b>113,228</b>
<i>Executive director</i>							
C McCavana	234,196	25,762	-	40,366	13,198	-	313,522
<i>Other key management personnel</i>							
J Hannaford	58,592	-	-	-	-	-	58,592
K Radford	46,800	4,212	500	303	319	8,449	60,583
J Young	113,348	9,521	500	22,226	-	538	146,133
P Hurley	124,572	12,291	12,500	3,240	-	1,077	153,680
J Moran	69,536	5,951	-	-	-	1,436	76,923
<b>Total for key management personnel compensation</b>	<b>752,442</b>	<b>65,567</b>	<b>13,500</b>	<b>66,135</b>	<b>13,517</b>	<b>11,500</b>	<b>922,661</b>

\*Includes consulting services/salaries

Options issued as part of remuneration for the year ended 30 June 2007

	Vested No	Granted No	Grant Date	Value per Option at Grant Date	Terms & Conditions for Each Grant		
					Exercise Price	First Exercise Date	Last Exercise Date
				\$	\$		
<b>Key Management Personnel</b>							
C McCavana	-	-	-	-	-	-	-
J Pearson	-	-	-	-	-	-	-
C Medhurst	-	-	-	-	-	-	-
D O'Neill	500,000	500,000	22/11/06	\$0.07	\$0.20	22/11/06	31/12/09
S Brown	-	200,000	22/02/07	\$0.05	\$0.20	22/02/08	28/02/10
	-	200,000	06/06/07	\$0.16	\$0.35	06/06/08	30/06/10
	<b>500,000</b>	<b>900,000</b>					

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**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007 (CONT'D)**

The following table discloses the value of options granted, exercised or lapsed during the year:

Key Management Personnel	Options Granted as Part of Remu- neration \$	Total Remu- neration Represented by Options %	Options Exercised \$	Options Lapsed (\$)	Total \$
C McCavana	-	-	-	-	-
J Pearson	-	-	-	-	-
C Medhurst	-	-	-	-	-
D O'Neill	33,600	46.1	-	-	33,600
S Brown	5,222	5.1	-	-	5,222
	<u>38,822</u>		<u>-</u>	<u>-</u>	<u>38,822</u>

**Meetings of Directors**

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 board meetings, 1 audit committee meeting and 1 remuneration committee meeting were held.

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
C McCavana	11	11	1	1	-	-
J Pearson	11	11	1	1	1	1
C Medhurst	11	10	1	1	1	1
D O'Neill	11	11	-	-	1	1

**Options**

At the date of this report, the unissued ordinary shares of Haddington Resources Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
30 November 2004	31 December 2007	\$0.20	650,000
26 August 2005	26 August 2008	\$0.30	500,000
26 August 2005	26 August 2008	\$0.40	500,000
26 April 2006	31 December 2008	\$0.40	450,000
22 November 2006	31 December 2009	\$0.20	500,000
23 February 2007	28 February 2010	\$0.20	625,000
6 June 2007	30 June 2010	\$0.35	725,000
			<u>3,950,000</u>

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**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007 (CONT'D)**

During the year ended 30 June 2007, the following ordinary shares of Haddington Resources Limited were issued on the exercise of options. 350,000 further shares have been issued on the exercise of options since that date. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Shares Issued
28 June 2007	\$0.20	250,000
29 June 2007	\$0.20	500,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not party to any such proceedings during the year.

**Non-Audit Services**

There were no non-audit services provided by the auditors during the year.

Details of amounts paid or payable to the auditor, WHK Horwath during the year are outlined in Note 25 to the financial statements.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2007 has been received and is included on page 10 of the annual report.

Signed in accordance with resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors,



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**Colin McCavana**  
Director

Dated at Perth on this 27<sup>th</sup> day of September 2007

#### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Haddington Resources Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Principal

Dated this 27<sup>th</sup> day of September 2007

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**INCOME STATEMENT  
 FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Consolidated		Company	
		Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
Revenue	2(a)	3,335,059	3,304,811	3,335,059	3,304,811
Cost of sales	2(c)	(3,824,297)	(3,954,134)	(3,824,297)	(3,954,134)
Gross loss		(489,238)	(649,323)	(489,238)	(649,323)
Other income	2(b)	288,159	386,056	288,159	375,593
Administration costs		(1,444,133)	(1,416,466)	(1,443,921)	(1,416,042)
Other expenses	2(d)	(149,279)	(742,086)	(942,141)	(363,345)
Financing costs	2(e)	(4,473)	(7,144)	(4,473)	(7,144)
Loss before income tax		(1,798,964)	(2,428,963)	(2,591,614)	(2,060,261)
Income tax benefit/(expense)	4(a)	(354,606)	44,915	(163,975)	(323,787)
Net loss attributable to members of the parent entity		(2,153,570)	(2,384,048)	(2,755,589)	(2,384,048)
Basic earnings per share (cents per share)	3	(3.88)	(4.33)		
Diluted earnings per share (cents per share)	3	(3.88)	(4.33)		

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

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**BALANCE SHEET  
AS AT 30 JUNE 2007**

Note	Consolidated		Company		
	30 June 2007 \$	30 June 2006 \$	30 June 2007 \$	30 June 2006 \$	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	3,553,699	1,252,279	3,553,699	1,252,279
Trade and other receivables	6	290,576	590,522	290,576	590,522
Inventories	7	113,868	3,135,743	113,868	3,135,743
Other current assets	8	631,890	89,258	611,890	51,757
Current tax assets	16	-	142,871	-	142,871
<b>TOTAL CURRENT ASSETS</b>		<b>4,590,033</b>	<b>5,210,673</b>	<b>4,570,033</b>	<b>5,173,172</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	9	-	-	-	1,022,507
Other financial assets	10	-	-	1	82,442
Property, plant and equipment	11	445,253	745,678	445,253	745,678
Exploration and evaluation	12a	1,053,028	1,779,591	221,570	310,562
Deferred tax assets	17b	-	-	317,657	571,131
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,498,281</b>	<b>2,525,269</b>	<b>984,481</b>	<b>2,732,320</b>
<b>TOTAL ASSETS</b>		<b>6,088,314</b>	<b>7,735,942</b>	<b>5,554,514</b>	<b>7,905,492</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	306,419	331,959	306,419	343,792
Interest bearing liabilities	14	26,047	24,141	26,047	24,141
Short term provisions	15	375,514	95,644	375,514	95,644
<b>TOTAL CURRENT LIABILITIES</b>		<b>707,980</b>	<b>451,744</b>	<b>707,980</b>	<b>463,577</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest bearing liabilities	18	20,830	46,877	20,830	46,877
Provisions	19	27,856	75,024	27,856	75,024
Deferred tax liability	17a	-	-	68,219	157,717
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>48,686</b>	<b>121,901</b>	<b>116,905</b>	<b>279,618</b>
<b>TOTAL LIABILITIES</b>		<b>756,666</b>	<b>573,645</b>	<b>824,885</b>	<b>743,195</b>
<b>NET ASSETS</b>		<b>5,331,648</b>	<b>7,162,297</b>	<b>4,729,629</b>	<b>7,162,297</b>
<b>EQUITY</b>					
Contributed equity	21	8,946,025	8,689,487	8,946,025	8,689,487
Option reserves		157,557	91,174	157,557	91,174
Accumulated (losses)		(3,771,934)	(1,618,364)	(4,373,953)	(1,618,364)
<b>TOTAL EQUITY</b>		<b>5,331,648</b>	<b>7,162,297</b>	<b>4,729,629</b>	<b>7,162,297</b>

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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

Note	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>Cash flows from operating activities</b>				
Receipts from customers	3,330,144	4,581,200	3,330,144	4,581,200
Sundry Income	-	75,033	-	64,570
Interest received	195,794	208,936	195,794	208,936
Management fees received	123,757	78,480	123,757	78,480
Interest paid	(4,288)	(7,144)	(4,288)	(7,144)
Payments to suppliers and employees	(1,807,228)	(7,179,870)	(1,831,084)	(7,179,446)
Income tax (paid)/refunded	142,871	(712,706)	142,871	(712,706)
<b>Net cash provided by (used in) operating activities</b>	28(b) 1,981,050	(2,956,071)	1,957,194	(2,966,110)
<b>Cash flows from investing activities</b>				
Expenditure on development and rehabilitation	(22,427)	(280,455)	(22,427)	(280,455)
Expenditure on exploration	(1,432,055)	(1,449,447)	(868,949)	(1,105,350)
Exploration expenditure recoveries	676,313	523,202	676,313	523,202
Expenditure on property, plant and equipment	(13,325)	(168,457)	(13,325)	(168,457)
Cash outflow for short term deposits	-	(10,507)	-	11,993
Proceeds from sale of investment	500,000	-	500,000	-
Proceeds from sale of property plant and equipment	430,000	51,402	430,000	51,402
<b>Net cash provided by (used in) investing activities</b>	138,506	(1,334,262)	701,612	(967,665)
<b>Cash flows from financing activities</b>				
Issue of shares	250,000	252,000	250,000	252,000
Payments for issue of equity securities	(79,495)	-	(79,495)	-
Payment of hire purchase liabilities	(24,141)	(51,756)	(24,141)	(51,756)
Loans to controlled entities	-	-	(521,750)	(356,558)
Reduction in performance bond	35,500	7,500	18,000	7,500
<b>Net cash provided by (used in) financing activities</b>	181,864	207,744	(357,386)	(148,814)
<b>Net increase/(decrease) in cash held</b>	2,301,420	(4,082,589)	2,301,420	(4,082,589)
<b>Cash at the beginning of the financial year</b>	1,252,279	5,334,868	1,252,279	5,334,868
<b>Cash at the end of the financial year</b>	28(a) 3,553,699	1,252,279	3,553,699	1,252,279

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

HADDINGTON RESOURCES LIMITED  
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**STATEMENT OF CHANGES IN EQUITY  
FOR YEAR ENDED 30 JUNE 2007**

	Share Capital Ordinary \$	Retained Earnings \$	Option Reserve \$	Total \$
<b><u>ECONOMIC ENTITY</u></b>				
<b>Balance at 1 July 2005</b>	<b>8,435,660</b>	<b>765,684</b>	<b>7,223</b>	<b>9,208,567</b>
Issue of shares on exercise of options	252,000	-	-	252,000
Profit attributable to members of parent entity	-	(2,384,048)	-	(2,384,048)
Option reserve on recognition of bonus element of options	-	-	85,778	85,778
Transfer from option reserve on exercise or expiry of options	1,827	-	(1,827)	-
Sub-Total	253,827	(2,384,048)	83,951	(2,046,270)
<b>Balance as at 30 June 2006</b>	<b>8,689,487</b>	<b>(1,618,364)</b>	<b>91,174</b>	<b>7,162,297</b>
Issue of shares on exercise of options	250,000	-	-	250,000
Profit attributable to members of parent entity	-	(2,153,570)	-	(2,153,570)
Option reserve on recognition of bonus element of options	-	-	72,921	72,921
Transfer from option reserve on exercise or expiry of options	6,538	-	(6,538)	-
Sub-Total	256,538	(2,153,570)	66,383	(1,830,649)
<b>Balance as at 30 June 2007</b>	<b>8,946,025</b>	<b>(3,771,934)</b>	<b>157,557</b>	<b>5,331,648</b>
<b><u>PARENT ENTITY</u></b>				
<b>Balance at 1 July 2005</b>	<b>8,435,660</b>	<b>765,684</b>	<b>7,223</b>	<b>9,208,567</b>
Issue of shares on exercise of options	252,000	-	-	252,000
Profit attributable to members of parent entity	-	(2,384,048)	-	(2,384,048)
Option reserve on recognition of bonus element of options	-	-	85,778	85,778
Transfer from option reserve on exercise or expiry of options	1,827	-	(1,827)	-
Sub-Total	253,827	(2,384,048)	83,951	(2,046,270)
<b>Balance as at 30 June 2006</b>	<b>8,689,487</b>	<b>(1,618,364)</b>	<b>91,174</b>	<b>7,162,297</b>
Issue of shares on exercise of options	250,000	-	-	250,000
Profit attributable to members of parent entity	-	(2,755,589)	-	(2,755,589)
Option reserve on recognition of bonus element of options	-	-	72,921	72,921
Transfer from option reserve on exercise or expiry of options	6,538	-	(6,538)	-
Sub-Total	256,538	(2,755,589)	66,383	(2,432,668)
<b>Balance as at 30 June 2007</b>	<b>8,946,025</b>	<b>(4,373,953)</b>	<b>157,557</b>	<b>4,729,629</b>

HADDINGTON RESOURCES LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Account Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of Haddington Resources Limited and controlled entities, and Haddington Resources Limited as an individual parent entity. Haddington Resources Limited is a listed public company, incorporated, and domiciled in Australia.

The financial report of Haddington Resources Limited and controlled entities, and Haddington Resources Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Accounting Policies**

**a. Principles of Consolidation**

A controlled entity is any entity Haddington Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 27 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

**b. Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Haddington Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2005. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**c. Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

**d. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

*Plant and equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Depreciation*

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5-33%
Leased plant and equipment	5-33%

The asset's 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**e. Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**f. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**g. Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates recoverable amount of the cash-generating unit to which the asset belongs.

**h. Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

*Equity-settled compensation*

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**i. Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**j. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**k. Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**l. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such times as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

**m. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**n. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**o. Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

*Key Estimates – Impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

**p. Financial Instruments**

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES</b>				
<b>(a) Revenue from ordinary activities</b>				
Revenue from sales of tantalum concentrate	3,335,059	3,304,811	3,335,059	3,304,811
Total sales revenues from ordinary activities	<u>3,335,059</u>	<u>3,304,811</u>	<u>3,335,059</u>	<u>3,304,811</u>
<b>(b) Other revenues from ordinary activities</b>				
Interest received from other corporations	195,794	208,947	195,794	208,947
Management fees received	92,365	109,873	92,365	109,873
Other revenue	-	67,236	-	56,773
Total other revenues from ordinary activities	<u>288,159</u>	<u>386,056</u>	<u>288,159</u>	<u>375,593</u>
Total revenue	<u>3,623,218</u>	<u>3,690,867</u>	<u>3,623,218</u>	<u>3,680,404</u>
<b>(c) Cost of sales</b>				
Production costs	3,196,429	2,748,442	3,196,429	2,748,442
Government mining royalties	163,440	165,240	163,440	165,240
Depreciation - plant & equipment	207,497	237,214	207,497	237,214
- plant & equipment under lease	-	10,364	-	10,364
Amortisation of development expenditure	7,613	769,439	7,613	769,439
Provision for restoration	249,318	23,435	249,318	23,435
Total cost of sales	<u>3,824,297</u>	<u>3,954,134</u>	<u>3,824,297</u>	<u>3,954,134</u>
<b>(d) Other expenses from ordinary activities</b>				
Depreciation - plant & equipment	35,880	42,844	35,880	42,844
- plant & equipment under lease	21,843	9,054	21,843	9,054
Exploration expenditure written off	287,870	588,839	141,359	401,807
Impairment of inter-company investments and loans	-	-	937,373	(191,709)
Profit on sale of fixed assets	(388,557)	(7,887)	(388,557)	(7,887)
Concentrate export	88,092	31,079	88,092	31,079
Exploration	6,735	(14,844)	6,735	(14,844)
Option pricing	72,922	93,001	72,922	93,001
Loss on sale of shares	24,679	-	24,679	-
Interest expense	(185)	-	(185)	-
Total other expenses from ordinary activities	<u>149,279</u>	<u>742,086</u>	<u>942,141</u>	<u>363,345</u>
<b>(e) Borrowing costs</b>				
Hire purchase interest expense	4,473	7,144	4,473	7,144
Total borrowing costs	<u>4,473</u>	<u>7,144</u>	<u>4,473</u>	<u>7,144</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2007**

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>3. EARNINGS PER SHARE</b>		
Basic earnings per share	(3.88)	(4.33)
<b>Basic earnings per share:</b>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Earnings (a)	(2,153,570)	(2,384,048)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares (b)	55,572,128	55,094,895
(a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the income statement as follows:		
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Net (loss)	(2,153,570)	(2,384,048)
Earnings used in the calculation of basic EPS	(2,153,570)	(2,384,048)
(b) Options are not considered to be dilutionary and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share.		

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>4. INCOME TAX EXPENSE</b>				
(a) <b>The components of tax expense comprise</b>				
<b>Current Tax</b>				
Current Year	-	-	-	-
Current tax relating to prior periods	-	(2,329)	-	(2,329)
<b>Deferred Tax</b>				
Current year deferred tax	354,606	30,157	163,975	(133,781)
Adjustments in respect of prior periods		(72,743)		459,897
Total income tax expense/(income) per income statement	354,606	(44,915)	163,975	323,787
(b) <b>Numerical reconciliation between tax expense and pre-tax net profit</b>				
Net (loss) before tax	(1,798,964)	(2,428,963)	(2,591,614)	(2,060,261)
Income tax (benefit) on above at 30%	(539,690)	(728,689)	(777,484)	(618,078)
Increase in income tax due to:				
– Non-deductible expenses	91,085	16,171	91,085	16,171
– Net tax effect on sale of subsidiary	260,899	-	260,899	-
– Tax loss of sold subsidiary available to group	(12,674)	-	-	-
– Loan impairment in subsidiaries	-	-	281,811	163,598
– Effect of current year tax losses derecognised/(recognised)	274,156	637,826	26,836	637,826
– Effect of prior year tax losses derecognised/(recognised)	298,968	-	298,968	-
– Under/over provision in prior year	5,639	-	5,639	-
– Sundry items	72	-	72	-
Decrease in income tax expense due to:				
– Recognition of deferred tax asset on capital raising costs	(23,849)	-	(23,849)	-
– Deductible equity raising costs	-	(1,493)	-	(1,493)
– Net adjustments to prior periods	-	31,270	-	125,763
Income tax expense/(income) attributable to entity	354,606	(44,915)	163,975	323,787
Deferred tax assets not taken into account arising from tax losses that have not been recognised as an asset because recovery of tax losses have not been regarded as probable				
Tax losses carried forward – revenue	1,208,626	637,826	1,208,626	637,826

HADDINGTON RESOURCES LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2007**

(c) **Tax Consolidation System**

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

Haddington Resources Limited and its wholly-owned Australian subsidiaries are eligible to consolidate for tax purposes and have elected to form an income tax group under the Tax Consolidation Regime effective 1 July 2005. The implementation of the tax consolidation group was formally recognised by the ATO on 22 July 2005 with start date for income tax consolidation 1 July 2005 and Haddington Resources Limited as the head entity of the group.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Haddington Resources Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on stand alone tax payer basis. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>5. CASH AND CASH EQUIVALENTS</b>				
Cash at bank and on hand	3,553,699	1,252,279	3,553,699	1,252,279
<b>6. CURRENT TRADE &amp; OTHER RECEIVABLES</b>				
Performance bond	285,450	303,450	285,450	303,450
Trade and other receivables	5,126	287,072	5,126	287,072
	<u>290,576</u>	<u>590,522</u>	<u>290,576</u>	<u>590,522</u>
<b>7. INVENTORIES</b>				
Ta <sub>2</sub> O <sub>5</sub> concentrate stockpile	-	3,022,798	-	3,022,798
Consumables and stores – at cost	113,868	112,945	113,868	112,945
	<u>113,868</u>	<u>3,135,743</u>	<u>113,868</u>	<u>3,135,743</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>8. OTHER CURRENT ASSETS</b>				
Financial assets (security deposits)	21,050	38,550	1,050	1,050
Sale of Haddington Gold Pty Ltd	500,000	-	500,000	-
Prepayments	110,042	-	110,042	-
Other	798	50,708	798	50,707
	631,890	89,258	611,890	51,757
<b>9. NON-CURRENT TRADE &amp; OTHER RECEIVABLES</b>				
Loans to controlled entities	-	-	-	1,895,848
Impairment of loans to controlled entities	-	-	-	(873,341)
	-	-	-	1,022,507
<b>10. OTHER FINANCIAL ASSETS</b>				
Available for sale financial assets	10(a)	-	-	1
		-	-	82,442
a. Available for sale financial assets comprise of the following:				
Shares in unlisted controlled entities		-	-	400,001
Additional equity advanced to unlisted controlled entities		-	-	1,364,044
Impairment of investment and additional equity advanced		-	-	(1,764,044)
		-	-	(510,155)
		-	-	82,442

Available for sale financial assets comprise investments in the ordinary issued capital of various entities, which are listed in Note 27. There are no fixed returns or fixed maturity date attached to these investments.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Consolidated and Company					Total \$
	Motor vehicles \$	Office equipment \$	Plant and equipment \$	Exploration \$	Plant and equipment under lease \$	
<b>2007</b>						
<b>Gross Carrying Amount</b>						
Balance at 30 June 2006	13,000	167,054	1,371,270	37,792	469,692	2,058,808
Additions	-	1,898	-	9,983	1,445	13,326
Transfers	258,828	45,085	-	-	(303,913)	-
Capital works in progress	-	-	12,387	-	-	12,387
Disposals	-	-	(336,650)	-	(44,789)	(381,439)
Balance at 30 June 2007	271,828	214,037	1,047,007	47,775	122,435	1,703,082
<b>Accumulated Depreciation</b>						
Balance at 30 June 2006	13,000	116,699	838,626	4,362	340,443	1,313,130
Transfers	258,828	39,057	-	-	(297,885)	-
Depreciation expense	-	26,356	200,316	12,943	25,605	265,220
Disposals	-	-	(293,853)	-	(26,668)	(320,521)
Balance at 30 June 2007	271,828	182,112	745,089	17,305	41,495	1,257,829

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**11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Consolidated and Company					Total \$
	Motor vehicles \$	Office equipment \$	Plant and equipment \$	Exploration \$	Plant and equipment under lease \$	
<b>2006</b>						
<b>Gross Carrying Amount</b>						
Balance at 30 June 2005	13,000	150,024	1,316,133	-	466,526	1,945,683
Additions	-	18,120	54,906	37,792	52,426	163,244
Capital works in progress	-	-	231	-	-	231
Disposals	-	(1,090)	-	-	(49,260)	(50,350)
Balance at 30 June 2006	13,000	167,054	1,371,270	37,792	469,692	2,058,808
<b>Accumulated Depreciation</b>						
Balance at 30 June 2005	9,023	97,049	607,826	-	306,592	1,020,490
Depreciation expense	3,977	19,770	230,800	4,362	40,567	299,476
Disposals	-	(120)	-	-	(6,716)	(6,836)
Balance at 30 June 2006	13,000	116,699	838,626	4,362	340,443	1,313,130
<b>Net Book Value</b>						
As at 30 June 2006	-	50,355	532,644	33,430	129,249	745,678
As at 30 June 2007	-	31,925	301,918	30,470	80,940	445,253

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**11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Aggregate depreciation allocated whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
Motor vehicles	-	3,977	-	3,977
Office equipment	20,328	19,770	20,328	19,770
Plant and equipment	200,316	230,800	200,316	230,800
Plant and equipment under lease	31,633	40,567	31,633	40,567
Exploration equipment	12,943	4,362	12,943	4,362
	265,220	299,476	265,220	299,476

**12. MINERAL PROPERTIES**

**(a) Exploration and Evaluation Expenditure at Cost:**

Carried forward from previous year	1,779,591	1,617,360	310,562	359,113
Incurred during the year	1,379,216	1,409,710	41,013	751,097
Disposal during year (Haddington Gold)	(1,379,284)	-	-	-
	1,779,523	3,027,070	351,575	1,110,210
Written off during the year	(259,463)	(514,997)	(112,951)	(381,682)
Exploration alliance reimbursement (a)	(467,032)	(732,482)	(17,054)	(417,966)
Total exploration expenditure	1,053,028	1,779,591	221,570	310,562

(a) Under the terms of the Tantalum Exploration Alliance, the Consolidated entity was reimbursed for exploration expenditure incurred on tenements subject to the Agreement. The Alliance was terminated on 30 September 2006.

The recovery of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits, their development and exploitation, or alternatively their sale.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to successful outcomes of native title issues. (Refer Note 31)

**(b) Development Expenditure at Cost:**

Carried forward from previous year	5,186,699	5,087,197	5,186,699	5,087,197
Transferred to/from exploration	-	-	-	-
Incurred during the year	-	99,502	-	99,502
Development expenditure carried forward to subsequent years	5,186,699	5,186,699	5,186,699	5,186,699
Amortisation carried forward from previous year	5,186,699	4,494,080	5,186,699	4,494,080
Amortisation incurred during the year	-	692,619	-	692,619
Accumulated amortisation at the end of the year	5,186,699	5,186,699	5,186,699	5,186,699
Total development expenditure	-	-	-	-

Amortisation of development costs is calculated on the basis of tantalite production as a percentage of remaining resources.

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	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>12. MINERAL PROPERTIES (CONT'D)</b>				
<b>Restoration Asset:</b>				
Carried forward from previous year	158,264	158,264	158,264	158,264
Incurred during the year	-	-	-	-
Restoration expenditure carried forward to subsequent years	158,264	158,264	158,264	158,264
Amortisation carried forward from previous year	158,264	105,509	158,264	105,509
Amortisation incurred during the year	-	52,755	-	52,755
Accumulated amortisation at the end of the year	158,264	158,264	158,264	158,264
Total restoration asset expenditure	-	-	-	-
Total Development and Restoration Expenditure	-	-	-	-
<b>13. CURRENT PAYABLES</b>				
Trade payables	352,285	339,548	352,285	339,548
Goods and services tax payable	(45,866)	(7,589)	(45,866)	4,244
	306,419	331,959	306,419	343,792
<b>14. CURRENT INTEREST BEARING LIABILITIES</b>				
Hire purchase liabilities (Note 33)	26,047	24,141	26,047	24,141
Hire purchase loans are effectively secured as the rights to the assets revert to the owner in the event of default.				
<b>15. CURRENT PROVISIONS</b>				
Employee benefits (Note 20)	93,624	95,644	93,624	95,644
Restoration / rehabilitation	281,890	-	281,890	-
Royalties	-	-	-	-
	375,514	95,644	375,514	95,644
A provision for restoration is recognised in relation to the mining activities at the Bald Hill mine site for costs such as reclamation, waste site closure and other costs associated with the restoration of a mining site. Estimates of the restoration obligations are based on rehabilitation bonds lodged with the Department of Industry and Resources.				
<b>(a) Movements in Provisions</b>				
<b>(1) Royalties</b>				
Balance at beginning of financial year	-	197,239	-	197,239
Additional provision	163,440	165,240	163,440	165,240
Cash payments	(163,440)	(362,479)	(163,440)	(362,479)
Balance at end of financial year	-	-	-	-
<b>(2) Short term employee benefits (Annual Leave)</b>				
Opening balance	95,644	87,329	95,644	87,329
Additional provision	72,677	111,019	72,677	111,019
Amounts used	(74,697)	(102,704)	(74,697)	(102,704)
Balance at end year	93,624	95,644	93,624	95,644

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	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
(3) Rehabilitation / Restoration				
Opening balance	-	-	-	-
Transfer from non-current provisions	55,000	-	55,000	-
Additional provision	250,000	-	250,000	-
Amounts used	(23,110)	-	(23,110)	-
Balance at end year	281,890	-	281,890	-
Total	375,514	95,644	375,514	95,644
<b>16. CURRENT TAXATION LIABILITIES/(ASSETS)</b>				
Current income tax	-	(142,871)	-	(142,871)
	-	(142,871)	-	(142,871)
<b>17. TAX</b>				
(a) <b>Liabilities</b>				
<u>Current</u>				
Income tax payable/(refundable)	-	(142,871)	-	(142,871)
<u>Non-Current</u>				
Deferred tax liability comprises:				
Tax allowances relating to exploration	315,909	620,892	66,471	154,378
Prepayments	1,748	3,338	1,748	3,338
Other	-	-	-	-
	317,657	624,230	68,219	157,717
(b) <b>Assets</b>				
Deferred assets comprises:				
Provisions	121,011	51,200	121,011	51,200
Revenue losses	1,250,763	978,930	1,250,763	748,958
Revenue losses not recognised	(1,208,626)	(637,826)	(1,208,626)	(637,826)
Property, plant and equipment	143,209	221,434	143,209	168,334
Transfers from subsidiaries	-	-	-	229,973
Other	11,300	10,492	11,300	10,492
	317,657	624,230	317,657	571,131
(c) <b>Reconciliation of:</b>				
Gross Movements				
The overall movement in the deferred tax account is as follows:				
Opening balance	-	30,157	413,414	279,633
(Charge)/credit to income statement	(354,606)	(30,157)	(163,976)	133,781
Deferred tax adjustment on sale of subsidiary	354,606	-	-	-
Closing balance	-	-	249,438	413,414
<b>18. NON-CURRENT INTEREST BEARING LIABILITIES</b>				
Hire purchase liabilities (Note 33)	20,830	46,877	20,830	46,877

Hire purchase liabilities are effectively secured as the rights to the assets revert to the owner in the event of default.

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	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>19. NON-CURRENT PROVISIONS</b>				
Restoration / rehabilitation	-	55,000	-	55,000
Long service leave	27,856	20,024	27,856	20,024
	<u>27,856</u>	<u>75,024</u>	<u>27,856</u>	<u>75,024</u>
(a) <b>Provision for Long Service Leave</b>				
A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.				
(b) <b>Movements in Provisions</b>				
(1) Restoration				
Balance at beginning of financial year	55,000	158,264	55,000	158,264
Additional provision	-	55,000	-	55,000
Amounts utilised during the year	-	(158,264)	-	(158,264)
Transfer to current provision	(55,000)	-	(55,000)	-
Balance at end of financial year	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
(2) Long Service Leave				
Balance at beginning of financial year	20,024	-	20,024	-
Additional provision	7,832	20,024	7,832	20,024
Amounts utilised during the year	-	-	-	-
Balance at end of financial year	<u>27,856</u>	<u>20,024</u>	<u>27,856</u>	<u>20,024</u>
Total	<u>27,856</u>	<u>75,024</u>	<u>27,856</u>	<u>75,024</u>
<b>20. EMPLOYEE BENEFITS</b>				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
Provision for employee entitlements:				
Current (note 15)	93,624	95,644	93,624	95,644
Non-Current (note 19)	27,856	20,024	27,856	20,024
Total	<u>121,480</u>	<u>115,668</u>	<u>121,480</u>	<u>115,668</u>
<b>21. CONTRIBUTED EQUITY</b>				
<b>Issued capital</b>				
56,970,678 (2006: 55,720,678) ordinary shares	8,946,025	8,689,487	8,946,025	8,689,487
	<b>2007</b>		<b>2006</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>				
Balance at the beginning of the financial year	55,720,678	8,687,660	54,460,678	8,435,660
Issue pursuant to rights issue	-	-	-	-
Share issue costs	-	-	-	-
Issue as private placement	-	-	-	-
Issue on exercise of options	1,250,000	250,000	1,260,000	252,000
Balance at the end of the financial year	<u>56,970,678</u>	<u>8,937,660</u>	<u>55,720,678</u>	<u>8,687,660</u>

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

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**21. CONTRIBUTED EQUITY CONT**

**Reserves**

**Option Reserve**

The option reserve records items recognised as expenses on the valuation of share options

**22. SHARE BASED PAYMENTS**

**Options**

The Company has in place an employee share option plan under which employees, directors and consultants of the consolidated entity may be issued on a discretionary basis with options over ordinary shares of Haddington Resources Limited.

The purpose of this Plan is to:

- recognise the ability and efforts of employees, directors and consultants of the Company who have contributed to the success of the Company;
- provide an incentive to employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

The options automatically lapse if they are not exercised before the expiry date, or automatically lapse when employment ceases with Haddington Resources Limited.

Employee share options are issued for no consideration and vest 50% after twelve months from the issue date and vest the remaining 50% after eighteen months from the issue date. All options subject to the employee share option plan carry no rights to dividends and no voting rights, until converted into ordinary shares.

The Company had on issue the following options under the employee share option plan as at 30 June 2007:

<b>Number</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
150,000	24 January 2005	\$0.20	31 December 2007
450,000	26 April 2006	\$0.40	31 December 2008
625,000	23 February 2007	\$0.20	28 February 2010
725,000	6 June 2007	\$0.35	30 June 2010

The Company had on issue the following options as at 30 June 2007 issued outside the employee share option plan, all of which vested on date of issue.

<b>Number</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
500,000	30 November 2004	\$0.20	31 December 2007
500,000	26 August 2005	\$0.30	26 August 2008
500,000	26 August 2005	\$0.40	26 August 2008
500,000	22 November 2006	\$0.20	31 December 2009

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	Consolidated Group				Parent Entity			
	2007		2006		2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	4,640,000	\$ 0.26	4,040,000	\$ 0.20	4,640,000	\$ 0.26	4,040,000	\$ 0.20
Granted	2,000,000	0.26	2,370,000	0.38	2,000,000	0.26	2,370,000	0.38
Forfeited/Expired	1,440,000	0.25	630,000	0.40	1,440,000	0.25	630,000	0.40
Exercised	1,250,000	0.20	1,140,000	0.20	1,250,000	0.20	1,140,000	0.2
Outstanding at year-end	3,950,000	0.29	4,640,000	0.26	3,950,000	0.29	4,640,000	0.26
Exercisable at year-end	2,375,000	0.28	2,925,000	0.25	2,375,000	0.28	2,925,000	0.25

The weighted average fair value of options issued during the year was \$0.10.  
This price was calculated using a Black Scholes option pricing model applying the following inputs:

	Granted on 22 Nov 2006	Granted on 23 Feb 2007	Granted on 6 June 2007
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	90%	92%	134%
Risk-free interest rate (%)	5.25%	5.25%	5.25%
Expected life of option (years)	3	3	3
Option exercise price (\$)	\$0.20	\$0.20	\$0.35
Weighted average share price at grant date	\$0.13	\$0.11	\$0.22

**23. CORRECTION OF ERROR, CHANGE IN ACCOUNTING POLICY AND REVISION OF ACCOUNTING ESTIMATES**

An error in the classification of exploration expenditure reimbursed by the Tantalum exploration alliance partners resulted in the profit/(loss) of the consolidated entity being overstated by \$ 290,049 for the year ended 30 June 2006 and exploration and evaluation of non-current assets also overstated by the same amount.

The error has been corrected by re-stating each of the affected financial statement line items for the prior year, as described above.

Basic and diluted earnings per share for the prior year have also been re-stated. The amount of the correction for both basic and diluted earnings per share was a reduction of 0.53 cents.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**24. SEGMENT REPORTING**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

**Business segments**

The consolidated entity operates in one business segment, being mining and exploration.

**Geographical segment**

The consolidated entity operates in one geographical segment being Australia. Its customer base is also in Australia.

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<b>25. AUDITORS' REMUNERATION</b>				
Audit or review of the financial report	43,220	34,045	43,220	34,045
	43,220	34,045	43,220	34,045

**26. KEY MANAGEMENT PERSONNEL COMPENSATION**

**(a) Names and positions held of economic and parent entity key management personnel in office at anytime during the financial year.**

Directors:

Colin McCavana – Managing Director  
 Clair Medhurst – Non-Executive Director  
 James Pearson – Non-Executive Director  
 Dennis O'Neill – Non-Executive Director

Key Management Personnel:

John Hannaford – Company Secretary (resigned 24 November 2006)  
 Stephen Brown – Company Secretary (appointed 24 November 2006)

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**26. KEY MANAGEMENT PERSONNEL COMPENSATION CONT'D**

**(b) Options and Rights Holdings**

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Directors' Report and under Note 22.

**Number of Options held by Key Management Personnel**

<b>2007</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of the year</b>	<b>Vested and exercisable</b>	<b>Unvested</b>
C McCavana	1,500,000	-	-	(1,000,000)	500,000	500,000	-
C Medhurst	500,000	-	(500,000)	-	-	-	-
J Pearson	500,000	-	(500,000)	-	-	-	-
D O'Neill	-	500,000	-	-	500,000	500,000	-
J Hannaford	250,000	-	(250,000)	-	-	-	-
S Brown	-	400,000	-	-	400,000	-	400,000
<b>2006</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Exercised</b>	<b>Other changes</b>	<b>Balance at end of the year</b>	<b>Vested and exercisable</b>	<b>Unvested</b>
C McCavana	1,500,000	-	-	-	1,500,000	1,500,000	-
C Medhurst	500,000	-	-	-	500,000	500,000	-
J Pearson	500,000	-	-	-	500,000	500,000	-
D O'Neill	-	-	-	-	-	-	-
J Hannaford	250,000	-	-	-	250,000	250,000	-
J Tarrant	500,000	-	(500,000)	-	-	-	-

**(c) Shareholdings**

**Number of Shares held by Key Management Personnel**

The numbers of shares in the company held during the financial year by each director of Haddington Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

<b>2007</b>	<b>Balance at the start of the year</b>	<b>Received during the year on the exercise of options</b>	<b>Other changes during the year</b>	<b>Balance at the end of the year</b>
C McCavana	1,885,490	-	-	1,885,490
C Medhurst	93,750	500,000	75,500	669,250
J Pearson	375,000	500,000	-	875,000
D O'Neill	150,000	-	50,000	200,000
J Hannaford	200,000	250,000	(450,000)	-
S Brown	-	-	10,000	10,000

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**26. KEY MANAGEMENT PERSONNEL COMPENSATION CONT'D**

2006	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
C McCavana	1,885,490	-	-	1,885,490
C Medhurst	93,750	-	-	93,750
J Pearson	375,000	-	-	375,000
D O'Neill	150,000	-	-	150,000
J Hannaford	250,000	-	(50,000)	200,000
J Tarrant	200,000	500,000	(700,000)	-

**27. INVESTMENTS IN CONTROLLED ENTITIES**

Name of Entity	Class of Shares	Ownership Interest	
		2007 %	2006 %
<i>Parent entity</i>			
Haddington Resources Limited			
<i>Controlled Entity</i>			
Australian Tantalum Pty Ltd	Ordinary	100%	100%
Haddington Gold Pty Ltd	Ordinary	-	100%
Australian Garnet Pty Ltd	Ordinary	100%	-

Australian Garnet Pty Ltd was incorporated on 3 August 2006.

All of the above companies are incorporated in Australia and are included within the tax consolidation group.

**Transactions within the wholly-owned group**

The wholly-owned group includes:

- the ultimate parent entity in the wholly-owned group; and
- wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Haddington Resources Limited.

During the year the parent entity provided financial assistance to its wholly owned controlled entities by way of intercompany loans. The loans are unsecured, interest free and have no fixed term of repayment (Note 9).

On 6 September 2006, the consolidated entity disposed of Haddington Gold Pty Ltd, which held a significant portfolio of copper/gold properties in the Cloncurry region of north-west Queensland. Haddington will receive \$1,000,000 in cash, with \$500,000 received on settlement and \$500,000 payable 12 months from settlement. A royalty of up to \$500,000 is payable for a 2% Net Smelter Royalty on production of the properties.

The consolidated entity recorded a loss on sale of Haddington Gold Pty Ltd of \$24,679.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**28. NOTES TO STATEMENT OF CASH FLOWS**

- (a) For the purpose of the statements of cash flows, cash includes cash on hand and in banks, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the Balance Sheet as follows:

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
Cash at bank and on hand	3,553,699	1,252,279	3,553,699	1,252,279
Cash per statement of cash flows	3,553,699	1,252,279	3,553,699	1,252,279

- (b) **Reconciliation of operating (loss) after income tax to net cash used in operating activities**

Operating (loss) after income tax	(2,153,570)	(2,384,048)	(2,755,589)	(2,384,048)
Adjustments for non-cash income and expense items:				
Option pricing	72,922	93,001	72,922	93,001
(Gain) on sale of non-current assets	(388,557)	(7,887)	(388,557)	(7,887)
Loss on sale of investments	24,679	-	24,679	-
Depreciation of property, plant and equipment	265,220	299,476	265,220	299,476
Amortisation of development properties	7,613	769,439	7,613	769,439
Impairment of mineral projects	287,870	780,350	141,359	393,784
Impairment of non current assets	-	-	939,372	171,763
(Increase)/decrease in current tax liability	142,871	(734,266)	142,871	(365,564)
(Decrease)/increase in deferred tax balances	354,606	30,157	163,975	(133,781)
Changes in assets and liabilities:				
- Decrease in receivables	47,830	1,097,308	47,830	1,097,308
- (Decrease)/increase in other creditors and accruals	22,432	(1,067,368)	(1,635)	(1,067,368)
- (Increase)/decrease in inventories	3,021,874	(2,019,380)	3,021,874	(2,019,380)
- Increase in deposits and prepayments	20,130	332,613	20,130	332,613
- Increase/(decrease) in current provisions	247,298	(165,490)	247,298	(165,490)
- Increase in non current provisions	7,832	20,024	7,832	20,024
Net cash from operating activities	1,981,050	(2,956,071)	1,957,194	(2,966,110)

**29. FINANCIAL INSTRUMENTS**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

- (a) **Interest Rate Risk Exposures**

The exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

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**29. FINANCIAL INSTRUMENTS (CONT'D)**

**CONSOLIDATED**

	Note	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$	Weighted Average Int. Rate
<b>2007</b>						
<b>Financial Assets</b>						
Cash	5	3,552,199	-	1,500	3,553,699	5%
Receivables	6	-	-	290,576	290,576	-
Financial assets	8	-	-	21,050	21,050	-
		3,552,199	-	313,126	3,865,325	
<b>Financial Liabilities</b>						
Payables	13	-	-	306,419	306,419	-
Hire purchase liabilities – current	14	-	26,047	-	26,047	8%
Hire purchase liabilities – non- current	18	-	20,830	-	20,830	8%
Provisions – current	15	-	-	375,514	375,514	-
Provisions – non current	19(b)	-	-	27,856	27,856	-
		-	46,877	709,789	756,666	
Net financial assets/(liabilities)		3,552,199	(46,877)	(396,663)	3,108,659	

**Reconciliation of Net Financial Assets to Net Assets:**

	Reference Note	\$
<b>2007</b>		
Net financial assets as above		3,108,659
Non financial assets and liabilities:		
Inventories	7	113,868
Other current assets	8	610,840
Property, plant and equipment	11	445,253
Mineral properties	12(a)	1,053,028
Deferred tax liabilities	17	-
Net assets per Balance Sheet		5,331,648

**CONSOLIDATED**

	Note	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$	Weighted Average Int. Rate
<b>2006</b>						
<b>Financial Assets</b>						
Cash	5	1,249,952	-	2,327	1,252,279	5%
Receivables	6	-	-	590,522	590,522	-
Financial assets	8	-	-	38,550	38,550	-
		1,249,952	-	631,399	1,881,351	
<b>Financial Liabilities</b>						
Payables	13	-	-	331,959	331,959	-
Hire purchase liabilities – current	14	-	24,141	-	24,141	8%
Hire purchase liabilities – non- current	18	-	46,877	-	46,877	8%
Provisions – current	15,16	-	-	(47,227)	(47,227)	-
Provisions – non current	19	-	-	75,024	75,024	-
		-	71,018	359,756	430,774	
Net financial assets/(liabilities)		1,249,952	(71,018)	271,643	1,450,577	

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**NOTES TO THE FINANCIAL STATEMENTS  
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**29. FINANCIAL INSTRUMENTS (CONT'D)**

**Reconciliation of Net Financial Assets to Net Assets:**

2006	Reference Note	\$
Net financial assets as above		1,450,577
Non financial assets and liabilities:		
Inventories	7	3,135,743
Other current assets	8	50,708
Property, plant and equipment	11	745,678
Mineral properties	12	1,779,591
Deferred tax liabilities	17	-
Net assets per Balance Sheet		7,162,297

**(b) Credit Risk Exposures**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

**(c) Net Fair Values of Financial Assets and Liabilities**

The carrying amounts of financial assets and liabilities equal their estimated net fair value.

**30. SUBSEQUENT EVENTS**

During July 2007 the company finalised a renounceable rights issue, consisting of two new shares and two new options for every five shares held. A total of 22,856,194 shares and options were issued, raising \$5,256,924 before costs.

On 9<sup>th</sup> August 2007 the Company announced that the formal transaction agreement for the acquisition of all the issued shares in Minvest International Corporation (Minvest) had been executed.

The acquisition of all of the issued shares of Minvest International Corporation was completed on 24<sup>th</sup> September 2007 and Haddington has issued 45,589,645 shares to the shareholders of Minvest International Corporation.

Minvest is a services and minerals group with operations in Australia, Indonesia and Madagascar. Shareholder approval of the transaction was granted on 25<sup>th</sup> July 2007.

**31. CONTINGENT LIABILITIES**

In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of native title. The full impact that the Mabo decision may have on tenements held by the Company is not yet known. The Company is aware of native title claims that have been lodged with the National Native Title Tribunal ("the Tribunal") over several areas in Western Australia and Northern Territory in which the Company holds interests. The native title claims have been accepted by the Tribunal for determination under section 63(1) of the Native Title Act 1993 (Commonwealth).

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**NOTES TO THE FINANCIAL STATEMENTS  
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**32. COMMITMENTS FOR EXPENDITURE**

In order to maintain an interest in the mining and exploration tenements in which the consolidated entity is involved, the consolidated entity is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the consolidated entity are subject to the minimum expenditure commitments required by the relevant state department of Minerals and Energy, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

**(a) Exploration Work**

The company has certain obligations to perform minimum exploration work and expend minimum amounts of money on its mining tenements. Obligations for the next 12 months are expected to amount to \$596,540 (2006: \$462,680). No estimate has been given of expenditure commitments beyond 12 months as this is dependent on the director's ongoing assessment of operations and, in certain instances, Native Title negotiations.

**(b) Operating Lease**

In April 2005, the Company entered into a three year non-cancellable operating lease for the office premises. The commitment in respect of this lease is:

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
No later than one year	80,542	87,156	80,542	87,156
Later than one year and not later than five years	12,959	72,767	12,959	72,767
Later than five years	-	-	-	-
	<b>93,501</b>	<b>159,923</b>	<b>93,501</b>	<b>159,923</b>

**33. HIRE PURCHASE COMMITMENTS**

**Hire Purchase Agreements**

Hire purchase agreements relate to plant and equipment at the Bald Hill project with terms of no longer than four years. The Company will acquire the plant and equipment at the conclusion of the respective agreements.

	Consolidated		Company	
	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
No later than one year	26,047	24,141	26,047	24,141
Later than one year and not later than five years	20,830	46,877	20,830	46,877
Later than five years	-	-	-	-
	<b>46,877</b>	<b>71,018</b>	<b>46,877</b>	<b>71,018</b>
<b>Included in the financial statements as:</b>				
Current hire purchase liabilities (Note 14)	26,047	24,141	26,047	24,141
Non current hire purchase liabilities (Note 18)	20,830	46,877	20,830	46,877
	<b>46,877</b>	<b>71,018</b>	<b>46,877</b>	<b>71,018</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**34. CHANGE IN ACCOUNTING POLICY**

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity but are not yet effective. They have not been adopted in preparation of the financial statements at report date.

AASB Amendment	AASB Standard Affected	Outline of Amendment	Application Date of the Standard	Application Date for the Group
AASB 2005-10 Amendment to Australian Accounting Standards	AASB 1: First time adoption of AIFRS	The disclosure requirements of AASB132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB7: Financial instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no impact on amounts included in the financial report as it is a disclosure standard.	1 January 2007	1 July 2007
	AASB101: Presentation of Financial Statements			
	AASB 114: Segment Reporting			
	AASB 117: Leases			
	AASB 133: Earnings per Share			
	AASB 139: Financial Instruments: Recognition and Measurement			
AASB 7 Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 January 2007	1 July 2007

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**DIRECTORS' DECLARATION**

The directors of the company hereby declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with the Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and economic entity;
2. the Managing Director and Financial Controller each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debt as and when they become due and payable.

The company and the wholly-owned subsidiaries have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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



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**COLIN McCAVANA**  
Director

Dated at Perth this 27<sup>th</sup> day of September 2007

## **INDEPENDENT AUDIT REPORT TO MEMBERS OF HADDINGTON RESOURCES LIMITED**

We have audited the accompanying financial report of Haddington Resources Limited (the company) and Haddington Resources Limited and controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 5 to 8 of the directors' report and not in the financial report.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Haddington Resources Limited on 27 September 2007 would be in the same terms if provided to the directors as at the date of this auditor's report.

### **Auditor's Opinion**

In our opinion, the financial report of Haddington Resources Limited is in accordance with the Corporations Act 2001 including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the remuneration disclosures that are contained in pages 5 to 8 of the directors' report comply with Accounting Standard AASB 124.
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Principal

Perth, WA

Dated this 27<sup>th</sup> day of September 2007