

CRESCENT GOLD LIMITED

ABN 49 087 360 996

HALF-YEARLY REPORT

31 DECEMBER 2005

This is the Annexure marked "A" referred to in Form 1001
dated 16th March 2006 and signed by me



A Haythorpe
Director
16th March 2006

CRESCENT GOLD LIMITED

ABN 49 087 360 996

DIRECTORS' REPORT

The directors of Crescent Gold Limited submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001 the directors report as follows:

DIRECTORS

The names of the directors of the company during or since the end of the half year are:

Name

Mr A J Haythorpe
Mr N T O'Loughlin
Ms C M New
Mr R Hill
Mr R Angus appointed 3 November 2005

Unless otherwise stated, all directors were in office for the period under review, and up to the date of this report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the half-year financial report.

REVIEW OF OPERATIONS

Laverton Gold Operation

Ore Reserves

During the six month period the company continued to advance its Laverton Gold Project. Major achievements included compilation of its Ore Reserve statement for the Laverton gold project. The Ore Reserves (Probable Ore Reserves 4.4mt at 2.1g/t) have been based on the company expanding the existing gold plant to 1.5 mtpa and a gold price of A\$625/oz (US\$460/oz).

Sickle Probable Ore Reserve now 2.2 mt at 2.1 g/t for 149,000 ozs and further increases are anticipated from recently reported RC drilling intercepts.

Capital and Operating Cost – Updated for 2005 Cost Increases

Bemex Corporation Pty Ltd provided updated capital and operating costs for re-starting the 1mtpa Laverton Gold Plant and also expanding the plant to 1.5 mtpa by adding a second ball mill (Expansion option).

Total infrastructure re-start cost for 1.0mtpa in the order of \$5.6 million (+/-15%) with additional expansion to 1.5 mtpa, estimated at \$5.9 million (+/-30%)

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DIRECTORS' REPORT

REVIEW OF OPERATIONS continued

Uranium Exploration

The review of Crescent's Uranium properties continued during the period. All historical data, geophysics and remote sensing data was acquired and integrated into the exploration database. Although still in early stages, regional exploration models and preliminary targets have been developed, with projects ranked according to their overall prospectivity.

The company elected not to exercise the A\$0.5m option over Woolner and Alive Springs, which were returned to the vendor in December 2005.

China - Wulaste

The process of transferring the Wulaste Exploration Licences to Crescent Gold's Business Licenced entity progressed during the quarter.

Corporate

Appointment of New Director

Tookie Angus joined the Board as an Independent Director in November 2005. Tookie is a well respected International Mining Lawyer, based in Canada, with extensive experience spanning over 30 years in the legal and commercial aspects of Mining across the World. Tookie is currently a Director of several public companies including IMA Exploration Inc. and Nevsun Resources Ltd. Before he resigned in 1997 on completion of a successful takeover, he was Chairman of the Board of BC Sugar Refinery Limited.

Results of the Annual General Meeting

The Company held its Annual General Meeting on 29 November 2005. The meeting approved the following resolutions:

- The re-election of Ms C New as a director of the Company;
- The re-election of Mr R Hill as a director of the Company;
- The re-election of Mr N O'Loughlin as a director of the Company;
- Adoption of Remuneration Report;
- Ratification of prior issue of 1,500,744 shares and 1,500,744 2005 options;
- Ratification of prior issue of 1,500,000 shares;
- Ratification of prior issue of 350,000 shares; and
- Approval of issue of convertible notes.

All resolutions were carried on a show of hands.

Proxies for a total of 23,441,729 shares were received. The majority of proxies voted in favour of the resolutions.

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DIRECTORS' REPORT

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors:



A Haythorpe
Director
Perth, Western Australia
16th March 2006

CONCLUDING STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Andrew Spinks, who is a Member of The Australasian Institute of Mining and Metallurgy included in a list promulgated by the ASX from time to time.

The Board of Directors
Crescent Gold Limited
Level 5
89 St Georges Terrace
Perth WA 6000

16 March 2006

Dear Board Members

AUDITOR'S INDEPENDENCE DECLARATION TO CRESCENT GOLD LIMITED

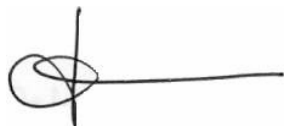
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Crescent Gold Limited.

As lead audit partner for the review of the financial statements of Crescent Gold for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountant

Independent review report to the members of Crescent Gold Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, selected explanatory notes and the directors' declaration for the consolidated entity for the half-year ended 31 December 2005 as set out on pages 8 to 32. The consolidated entity comprises both Crescent Gold Limited ("the company") and the entities it controlled at the end of the half-year or from time to time during the half-year.

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

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

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

Deloitte.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Crescent Gold Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants
Perth, 16 March 2006

CRESCENT GOLD LIMITED

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

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



A Haythorpe
Director
16th March 2006
Perth, Western Australia

CRESCENT GOLD LIMITED

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

	Half-Year Ended 31 December 2005 \$	Half-Year Ended 31 December 2004 \$
Revenue	143,894	98,160
Total revenue from ordinary activities	143,894	98,160
Administrative Expenses	(258,914)	(146,487)
Auditor's Remuneration	(39,833)	(17,150)
Loss on Assets Sold	-	(1,030)
Depreciation	(120,672)	(119,870)
Directors' Remuneration	(201,330)	(204,585)
Exploration Costs	(51,217)	(73,594)
Exploration Written Off	(252,249)	(194,725)
Insurance	(40,159)	(24,595)
Interest Expense	(120,250)	(59,006)
Legal Fees	(63,325)	(161,186)
Other Professional Fees	(144,094)	(87,366)
Rent	(50,237)	(38,982)
Staff Costs	(77,747)	(36,572)
Travel Expense	(91,183)	(61,773)
	<u>(1,511,210)</u>	<u>(1,226,921)</u>
Loss before income tax expense	(1,367,316)	(1,128,761)
Income tax expense	-	-
	<u>(1,367,316)</u>	<u>(1,128,761)</u>
Loss from continuing operations	(1,367,316)	(1,128,761)
	<u>(1,367,316)</u>	<u>(1,128,761)</u>
Loss for period	(1,367,316)	(1,128,761)
Net loss attributable to minority interest	14,419	-
Net loss attributable to members of the parent entity	(1,352,897)	(1,128,761)
Loss per Share		
Basic (cents per share)	(0.003)	(1.10)
Diluted (cents per share)	(0.003)	(1.10)

The above statement of financial performance should be read in conjunction with the accompanying notes.

CRESCENT GOLD LIMITED

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	31 December 2005 \$	30 June 2005 \$
Current assets		
Cash and cash equivalents	10,375,810	2,138,587
Trade and other receivables	237,591	227,639
Total current assets	10,613,401	2,366,226
Non-current assets		
Property, plant and equipment	449,421	549,516
Trade and other receivables	51,906	44,225
Exploration tenements	16,459,578	10,193,156
Other financial assets	2,438,862	2,375,990
Total non-current assets	19,399,767	13,162,887
Total assets	30,013,168	15,529,113
Current liabilities		
Trade and other payables	648,896	710,495
Other financial liabilities	4,150,000	-
Provisions	21,666	17,197
Total current liabilities	4,820,562	727,692
Non-current liabilities		
Borrowings	3,450,000	2,000,000
Deferred tax liabilities	67,571	-
Provisions	2,344,000	2,344,000
Total non-current liabilities	5,861,571	4,344,000
Total liabilities	10,682,133	5,071,692
Net assets	19,331,035	10,457,421
Equity		
Issued capital	43,013,845	32,781,944
Option reserve	37,778	31,077
Foreign Currency Reserve	2,328	-
Accumulated losses	(23,722,916)	(22,355,600)
	19,331,035	10,457,421
Parent entity interest	19,311,033	10,457,421
Minority interest	20,002	-
Total equity	19,331,035	10,457,421

The above statement of financial position should be read in conjunction with the accompanying notes.

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

	31 December 2005 \$	31 December 2004 \$
Retained earnings		
Retained earnings at the beginning of the period	(22,355,600)	(19,535,617)
Net loss attributable to minority interest	(14,419)	-
Net loss attributable to members of the parent entity	(1,352,897)	(1,128,761)
Retained earnings at the end of the period	(23,722,916)	(20,664,378)
Option reserve		
Option reserve at the beginning of the period	31,077	-
Share based payments	6,701	-
Total option reserve	37,778	-
Foreign currency reserve		
Foreign currency reserve at beginning of the period	-	-
Foreign currency reserve for period	2,328	-
Total foreign currency reserve	2,328	-
Issued capital		
Issued capital at the beginning of the period – 135,617,326 (1 July 2004 – 102,370,485) fully paid shares	33,192,935	28,714,972
Issue of shares for settlement	-	72,000
Issue of shares for acquisition of RAB Projects Pty Ltd	187,500	-
Issue of shares in lieu of consulting fees	100,000	-
Issue of shares through conversion of notes	50,000	-
Issue of shares on exercise of \$0.18 June 2006 options	480,000	-
Issue of shares on exercise of \$0.20 November 2005 employee options	106,800	-
Issue of shares on exercise of \$0.20 November 2005 options	9,307,601	-
Subscriptions received in advance	-	472,500
Issued capital at the end of the period – 187,680,712 (31 December 2004 – 102,970,485) fully paid shares	43,424,836	29,259,472
Share issue costs		
Balance at the beginning of the period	(997,919)	(795,310)
Share issue costs during the period	-	-
Share issue costs at the end of the period	(997,919)	(795,310)
Option consideration capital		
Balance at the beginning of the period	586,928	586,928
Issued during the year	-	-
Option consideration capital at the end of the period	586,928	586,928
Total Issued Capital	43,013,845	29,051,090

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

	31 December 2005	31 December 2004
	\$	\$
Net income recognised directly in equity:		
Translation of foreign operations	2,328	-
Loss for the period	(1,367,316)	(1,128,761)
	<hr/>	<hr/>
Total recognised income and expense for the period	(1,364,988)	(1,128,761)
	<hr/>	<hr/>
Attributable to:		
Equity holders of the parent	(1,350,656)	(1,128,761)
Minority interest	(14,332)	-

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

	Half-Year Ended 31 December 2005 \$	Half-Year Ended 31 December 2004 \$
Cash flows from operating activities		
Payments to suppliers and employees	(989,502)	(1,100,483)
Interest and other income received	81,022	62,427
Interest paid	(45,932)	(59,006)
Net cash provided by operating activities	(954,412)	(1,097,062)
Cash flows from investing activities		
Payment for property, plant and equipment	(17,336)	(19,873)
Loss on sale of property, plant and equipment	-	(1,030)
Cash acquired in business combination	73,795	-
Payment for acquisition of subsidiary	(45,000)	-
Payments for environmental performance bonds	-	(321,313)
Payments for acquisition of tenements	(250,000)	-
Payments for deferred exploration expenditure	(1,944,650)	(2,011,539)
Net cash used in investing activities	(2,183,191)	(2,353,755)
Cash flows from financing activities		
Proceeds from exercise of options	9,894,401	-
Proceeds from issue of convertible notes	1,500,000	2,000,000
Financing Costs	(19,575)	(75,920)
Repayment of borrowings	-	(100,000)
Proceeds from subscriptions received in advance	-	472,500
Net cash from financing activities	11,374,826	2,296,580
Net increase/(decrease) in cash and cash equivalents	8,237,223	(1,154,237)
Cash and cash equivalents at the beginning of the half-year	2,138,587	1,868,173
Cash and cash equivalents at the end of the half-year	10,375,810	713,936

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

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

1. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2005 annual financial report.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 7.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2005 (as disclosed in note 7), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report. The impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is discussed further in note 1(q).

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report.

a) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash in banks.

b) *Employee Benefits*

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

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

b) Employee Benefits continued

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

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when incurred.

c) Financial Assets

Investments are recognised and de-recognised on trade date where purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

d) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the cost relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

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

d) *Financial Instruments Issued by the Company continued*

Compound Instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. The liability component initially brought to account is the present value of the future payments of interest and principal. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

e) *Foreign Currency*

Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign Operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expenses items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

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

f) *Impairment of Assets*

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

The recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

g) *Income Tax*

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

g) *Income Tax continued*

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

h) *Other taxes*

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

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

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

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

h) *Other taxes continued*

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

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

i) *Joint Ventures*

Jointly Controlled Entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements.

j) *Payables*

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

k) *Rehabilitation Provision*

Under A-IFRS, the present value of restoration obligations is recognised at commencement of the mining project where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding amount capitalised into property, plant and equipment. At each reporting date the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amount of the costs to be incurred. As the assets are not re-valued any changes in the liability are added or deducted from the related asset, other than the unwinding of the discount which is recognised as interest in the income statement as it occurs.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in profit or loss. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable an impairment test is performed.

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

l) *Principles of Consolidation*

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

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

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

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

m) *Property, Plant and Equipment*

Land and buildings and property, plant and equipment are stated at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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

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

- Plant and equipment - 5 years
- Office furniture and equipment - 4 years
- Computer equipment - 3 years

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

n) Provisions

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

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

o) Revenue Recognition

Interest Revenue

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

p) Share-based Payments

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

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

q) Comparative information

Financial instruments

The consolidated entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB132 'Financial Instruments: Disclosure and Presentation' and AASB139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

No adjustments to the consolidated entity's financial position, financial performance and cash flows were required as at 1 July 2005 as a result of the changes in the accounting policies for financial instruments.

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

q) Comparative information (continued)

The following transitional provisions have an effect on future periods:

(i) the separation of compound financial instruments for which the liability component is no longer outstanding into retained earnings and share capital components has not been performed

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below:

(i) the measurement of financial assets designated as held-to-maturity and loans and receivables at amortised cost, rather than at cost or fair value in accordance with the superseded policy

(ii) the measurement of financial liabilities at amortised cost, rather than at cost in accordance with the superseded policy

Consolidation

During the six months to 31 December 2005, Crescent Gold Limited became a consolidated entity through the acquisition of RAB Projects Pty Ltd (refer note 2). The comparative information has been prepared on a company only basis.

r) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs are reviewed each reporting date to test whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

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

r) Exploration and evaluation expenditure (continued)

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to capitalised development and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Development expenditure

Development expenditure is recognised at cost less any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the life of the reserves associated with the area of interest.

s) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

2. CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

Business Combinations

On 12 July 2005, the Company completed settlement of the acquisition of a 100% interest in RAB Projects Pty Ltd and its controlled entities (the "RAB Group"), for a consideration of \$232,500 settled through the issue of 1,500,000 shares at \$0.125 each (being the volume weighted average price of the Company's shares for the five days prior to settlement) for a total of \$187,500 and \$45,000 cash.

RAB Mining Limited, a company that RAB Projects Pty Ltd holds 95.5% of the issued capital in, holds a 75% interest in the Chinese joint venture company Xinjiang Tianau Mining Company Limited.

Summary of Net Assets Acquired

Description	Carrying Amount immediately prior acquisition	Total
	\$	\$
Cash and cash equivalents	73,795	73,795
Plant and equipment	3,215	3,215
Future exploration potential	-	225,238
Payables	(2,177)	(2,177)
Deferred tax liability	-	(67,571)
	<u>74,833</u>	<u>232,500</u>

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

2. CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

Summary of Net Assets Acquired continued

The future exploration potential acquired relates to the exploration licences held by the Xinjiang Tianau Mining Company Ltd, which give the group access to the Wulaste and Sahentouhai exploration licences and other tenements in the future.

The RAB Group has recorded a loss of \$51,842 since the date of acquisition.

3. SUBSEQUENT EVENTS

On 14 February 2006, the company commenced trading on the Toronto Stock Exchange (TSX).

Subsequent to year end the Company issued the following securities:

- 500,000 unlisted options issued on 3 January 2006, exercisable at \$015 on or before 31/12/07
- 1,733,333 shares issued on 16 February 2006 for consideration of \$312,000 as a result of the exercise of options
- 309,000 shares issued on 10 March 2006 for consideration of \$55,620 as a result of the exercise of options

4. SEGMENT INFORMATION

The Company operates in two geographical segments for primary reporting, being Australia and China.

Segment revenue	2005	2004
	\$	\$
Australia	585	5,455
China	128	-
Unallocated	143,181	92,705
Consolidated	<u>143,894</u>	<u>98,160</u>
Segment result		
Australia	1,293,878	1,095,062
China	50,816	-
Unallocated	22,622	33,699
Consolidated	<u>1,367,316</u>	<u>1,128,761</u>

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

5. EQUITY SECURITIES ISSUED (continued)

During the half-year reporting period ended 31 December 2005, Crescent Gold Limited issued the following securities:

1,500,000 shares at \$0.125 each as consideration for the acquisition of RAB Projects Pty Ltd;

574,713 shares in lieu of consulting fees to the value of \$100,000;

250,000 shares at \$0.20 each on the conversion of \$50,000 of convertible notes;

2,666,667 shares on the exercise of 2,666,667 unlisted June 2006 options at \$0.18 each;

534,000 shares on the exercise of 534,000 unlisted November 2005 employee options at \$0.20 each; and

46,538,006 shares on the exercise of 46,538,006 listed November 2005 options at \$0.20 each.

During the half-year reporting period ended 31 December 2004, Crescent Gold Limited issued 600,000 shares at \$0.12 as the final tranche of a settlement.

During the half-year reporting period ended 31 December 2005, Crescent Gold Limited issued 250,000 options (2004: 500,000) over ordinary shares under its director and employee option plan. These options had a fair value at grant date of \$0.027 (2004: \$0.006).

During the half-year reporting period ended 31 December 2005, Crescent Gold Limited issued \$1,500,000 convertible notes, with an interest rate of 6%, expiring 31 March 2007 (2004: \$2,000,000 convertible notes, with an interest rate of 9%, expiring 1 October 2006).

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

6. CONTINGENT LIABILITIES

The Company has a contingent liability in respect to an amount claimed by Australian Posters Pty Ltd which is the subject of current litigation in the Supreme Court of Queensland. The claim amounts to \$328,200 plus interest and costs.

A defence and counterclaim, through a third party discovery process, has been filed by the Company. At the date of this report a reply from Australian Posters' solicitors has not been served. Unless a settlement of the claim occurs, the Company expects that the matter will proceed to trial in the short-term future.

No provision for any liability that may result, has been made in the financial report as it is considered that such an outcome cannot be reliably measured.

7. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS)

The following adjustments to the accounts were made on transition to A-IFRS as at 1 July 2004:

Employee benefits and others providing similar services

a) *Share based payments*

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

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees becomes unconditionally entitled to the options. The fair value of options granted will be measured using the binomial method, taking into account the terms and conditions attached to the options. The amount recognised as an expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions.

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

Accordingly for the financial year ended 30 June 2005, employee benefits expense and option reserve have increased by \$1,747 and consulting fees expense and option reserve have increased by \$29,530 representing the fair value of options issued in exchanges for services.

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

7. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) Cont.

b) Tax

On transition to AIFRS the balance sheet method of tax effect accounting has been adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax has been recognised in the income statement except to the extent that it relates to items recognised directly in equity or arises in a business combination, in which case it is recognised in equity or taken into account in the initial accounting for the business combination.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

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

c) Reclassifications

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale will be presented separately from other assets and liabilities on the balance sheet. A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is available for immediate sale in its current condition, and its sale is highly probable.

This results in \$10,000 being reclassified from property plant and equipment at 1 July 2004 and a reduction to the carrying amount of \$200 to reflect the expected selling costs.

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

7. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) Cont.

d) Revenue

Under AIFRS the gain or loss on the disposal of property, plant and equipment has been be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. An amount of \$8,970 was reclassified from expenses to other income for the financial year ended 30 June 2005.

e) Summary of transitional adjustments

The consolidated entity changed its accounting policies on 1 January 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition if 1 January 2005.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables.

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

7. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) Cont.

Effect of A-IFRS on the balance as at 1 July 2004

	Note	Superseded policies \$	Company Effect of transition \$	AIFRS \$
Assets				
Current assets				
Cash and cash equivalents		1,868,173	-	1,868,173
Trade receivables		302,308	-	302,308
Total current assets		2,170,481	-	2,170,481
Non-current assets				
Property, plant and equipment	c)	937,082	(10,000)	927,082
Receivables		41,000	-	41,000
Exploration tenements		7,122,145	-	7,122,145
Other financial assets		2,589,126	-	2,589,126
Available for sale investments	c)	-	9,800	9,800
Deferred tax assets		-	-	-
Total non-current assets		10,689,353	(200)	10,689,153
Total assets		12,859,834	(200)	12,859,634
Liabilities				
Current liabilities				
Interest bearing liabilities		100,000	-	100,000
Payables		1,179,446	-	1,179,446
Provisions		22,216	-	22,216
Total current liabilities		1,301,662	-	1,301,662
Non-current liabilities				
Interest bearing liabilities		-	-	-
Provisions		2,587,000	-	2,587,000
Deferred tax liabilities		-	-	-
Total non-current liabilities		2,587,000	-	2,587,000
Total liabilities		3,888,662	-	3,888,662
Net assets		8,971,172	(200)	8,970,972
Equity				
Issued capital		28,506,590	-	28,506,590
Accumulated losses	c)	(19,535,418)	(200)	(19,535,618)
Total equity		8,971,172	(200)	8,970,972

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

7. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) Cont.

Effect of A-IFRS on the Company income statement for the half-year ended
31 December 2004 and the financial year ended 30 June 2005

	Notes	For the half-year ended 31 December 2004			For the year ended 30 June 2005		
		Superseded Policies \$'000	Effect of transition \$'000	AIFRS \$'000	Superseded Policies \$'000	Effect of transition \$'000	AIFRS \$'000
		Revenue	d)	98,160	-	98,160	220,124
Other operating income	d)	8,970	(8,970)	-	-	2,424	2,424
Administration expense		(83,557)	-	(83,557)	(118,255)	-	(118,255)
Communications costs		(58,397)	-	(58,397)	(111,586)	-	(111,586)
Depreciation		(119,870)	-	(119,870)	(252,261)	-	(252,261)
Directors fees		(9,750)	-	(9,750)	(13,000)	-	(13,000)
Exploration costs		(268,316)	-	(268,316)	(757,738)	-	(757,738)
Impairment of property, plant and equipment		-	-	-	(161,203)	-	(161,203)
Insurance		(24,595)	-	(24,595)	(49,700)	-	(49,700)
Legal fees		(161,186)	-	(161,186)	(297,329)	-	(297,329)
Other expenses	d)	(10,000)	8,970	(1,030)	(266,489)	8,970	(257,519)
Other professional fees	a)	(282,201)	-	(282,201)	(478,858)	(29,530)	(508,388)
Printing and stationery		(13,610)	-	(13,610)	(50,733)	-	(50,733)
Rent		(38,982)	-	(38,982)	(75,595)	-	(75,595)
Staff costs	a)	(36,572)	-	(36,572)	(85,996)	(1,747)	(87,743)
Travel expense		(61,773)	-	(61,773)	(121,222)	-	(121,222)
Interest expense		(59,006)	-	(59,006)	(148,266)	-	(148,266)
Other costs of finance paid		(8,076)	-	(8,076)	(20,998)	-	(20,998)
Loss from ordinary activities before income tax		(1,128,761)	-	(1,128,761)	(2,789,105)	(31,077)	(2,820,182)
Income tax expense		-	-	-	-	-	-
Loss from ordinary activities after income tax		(1,128,761)	-	(1,128,761)	(2,789,105)	(31,077)	(2,820,182)
Net loss from ordinary activities attributable to members of Crescent Gold Limited		(1,128,761)	-	(1,128,761)	(2,789,105)	(31,077)	(2,820,182)
Total changes in equity other than those resulting from transactions with owners as owners		(1,128,761)	-	(1,128,761)	(2,789,105)	(31,077)	(2,820,182)

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

7. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) Cont.

Effect of A-IFRS on the Company balance as at 31 December 2004 and 30 June 2005

	Note	31 December 2004			30 June 2005		
		Superseded policies \$	Transition impact \$	AIFRS \$	AGAAP \$	Transition impact \$	AIFRS \$
Assets							
Current assets							
Cash and cash equivalents		713,936	-	713,936	2,138,587	-	2,138,587
Trade receivables		269,507	-	269,507	227,639	-	227,639
Total current assets		983,443	-	983,443	2,366,226	-	2,366,226
Non-current assets							
Property, plant and equipment	c)	827,085	(10,000)	817,085	549,516	-	549,516
Receivables		41,000	-	41,000	44,225	-	44,225
Exploration tenements		8,694,364	-	8,694,364	10,193,156	-	10,193,156
Other financial assets		2,910,439	-	2,910,439	2,375,990	-	2,375,990
Available for sale investments	c)	-	9,800	9,800	-	-	-
Deferred tax assets		-	-	-	-	-	-
Total non-current assets		12,472,888	(200)	12,462,888	13,162,887	-	13,162,887
Total assets		13,456,331	(200)	13,446,331	15,529,113	-	15,529,113
Liabilities							
Current liabilities							
Payables		716,456	-	716,456	710,495	-	710,495
Provisions		8,963	-	8,963	17,197	-	17,197
Total current liabilities		725,419	-	725,419	727,692	-	727,692
Non-current liabilities							
Interest bearing liabilities		2,000,000	-	2,000,000	2,000,000	-	2,000,000
Provisions		2,344,000	-	2,344,000	2,344,000	-	2,344,000
Deferred tax liabilities		-	-	-	-	-	-
Total non-current liabilities		4,344,000	-	4,344,000	4,344,000	-	4,344,000
Total liabilities		5,069,419	-	5,069,419	5,071,692	-	5,071,692
Net assets		8,386,912	(200)	8,386,712	10,457,421	-	10,457,421
Equity							
Issued Capital	a), c)	28,578,590	-	28,578,590	32,781,944	-	32,781,944
Option Reserve		-	-	-	-	31,077	31,077
Unallotted shares		472,500	-	472,500	-	-	-
Retained profits		(20,664,178)	(200)	(20,664,318)	(22,324,523)	(31,077)	(22,355,600)
Total equity		8,386,912	-	8,386,712	10,457,421	-	10,457,421

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

7. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS) Cont.

Effect of A-IFRS on the cash flow statement for the year ended 30 June 2005.

There is no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.