



Austindo Resources Corporation N.L.

A.B.N. 48 002 678 640

Consolidated Financial Report

Half Year Ended 30 June 2006

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AUSTINDO RESOURCES CORPORATION N.L.
DIRECTORS' REPORT FOR THE HALF YEAR ENDED 30 JUNE 2006

Your Directors present their report on the consolidated entity consisting of Austindo Resources Corporation N.L. and its controlled entities (the "Group") for the half-year ended 30 June 2006.

Directors

The names of Directors who held office at the end of the half-year were as follows:

Mr Bruce J. Watson	Non-Executive Chairman
Mr Ian L. Price	Managing Director & Chief Executive Officer
Mr George S. Tahija	Non-Executive Director
Mr John C. Carlile	Non-Executive Director
Mr Christopher P. Melloy	Non-Executive Director

On the 31 July 2006, Mr Ian L. Price resigned from his position as Managing Director & Chief Executive Officer. All other Directors have been in office since the start of the half-year and up to the date of this report.

Review of Operations

During the six-month period to 30 June 2006, the Group continued construction and development of the Cibaliung Gold Project in Banten Province, West Java.

During the period Austindo Resource Corporation N.L (the "Company") raised additional capital of \$12.0m by way of a placement to institutional and sophisticated investors.

A new exploration area in East Java (Trenggalek) was granted in which the Company has a 95% joint venture interest.

A review of the Cibaliung Gold project, conducted in August 2006, identified that at that time additional project expenditure of approximately US\$15.2m (A\$19.7m at an exchange rate of 0.77) would be required to complete the project. The cost to complete may be affected by a variety of factors including ground conditions in the development of the decline and delays in the re-erection of the gold processing plant. The Company will be seeking additional debt finance and equity funding to meet these increased costs.

The Company remains of the view that it will achieve its first gold pour towards the end of the first quarter of 2007 subject to a variety of factors including ground conditions in the development of the decline and there being no delays in the re-erection of the gold processing plant.

The consolidated loss of the Group for the period was \$360,493 after income tax.

To clarify matters for shareholders, while the development and operation of the Cibaliung Gold Project is predominantly denominated in US dollars, this report refers to Australian dollars unless stated to the contrary.

Auditor's Declaration

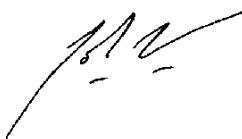
The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on Page 3 for the half year ended 30 June, 2006.

This report is signed in accordance with a resolution of the Board of Directors.

Signed this thirteenth day of September 2006.



Bruce J. Watson
Non-Executive Chairman



John C. Carlile
Non-Executive Director

**Auditor's Independence Declaration
under section 307C of the Corporations Act 2001
to the directors of
Austindo Resources Corporations N.L.**

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31 Market Street
Sydney NSW 2000
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I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2006 there have been:

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



Moores Rowland
Chartered Accountants



W E Beauman
Partner

Dated: 13th September 2006

Austindo Resources Corporation N.L.
Consolidated Income Statement
for the Half Year ended 30 June 2006

	Note	30 June 2006 \$	30 June 2005 \$
Revenue from continuing operations	2	227,593	37,996
Employee benefits expense		(495,257)	(251,132)
Depreciation and amortisation expense		(20,043)	(6,214)
Finance cost		(199,382)	(35,217)
Management and administration expense		(513,383)	(485,929)
Unrealised foreign exchange gain (loss)	2	38,344	-
Loss on deconsolidation of previously controlled entity		-	(516,082)
Gain on revaluation of associate company	8	-	1,553,569
Share of net losses of associate accounted for using the equity method	9	(34,952)	(114,000)
Business development expense		(52,815)	(20,949)
Other expenses from ordinary activities		(94,215)	(15,977)
Profit (loss) before income tax		(1,144,110)	146,065
Income tax benefit	9	783,617	-
Net profit (loss) attributable to members of Austindo Resources Corporation N.L.		(360,493)	146,065
Earnings per share for profit (loss) from continuing operations attributed to the ordinary equity holders of the Company			
Basic earnings (loss) per share (cents per share)	8	(0.03)	0.03
Diluted earnings (loss) per share (cents per share)	8	(0.03)	0.04

The accompanying notes form part of this financial report.

Austindo Resources Corporation N.L.
Consolidated Balance Sheet
as at 30 June 2006

	30 June 2006	31 December 2005
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	14,085,593	13,431,506
Interest bearing assets and deposits	4,036,055	-
Receivables	203,894	95,362
Derivative asset	253,028	-
Other	1,006,896	390,025
TOTAL CURRENT ASSETS	19,585,466	13,916,893
NON-CURRENT ASSETS		
Receivables	106,247	106,247
Financial instrument	4,400,000	-
Investments accounted for using the equity method	-	1,787,944
Plant and equipment	18,592,247	6,118,398
Exploration, evaluation and development expenditure	25,992,522	18,648,162
Derivative assets	211,321	-
TOTAL NON-CURRENT ASSETS	49,302,337	26,660,751
TOTAL ASSETS	68,887,803	40,577,644
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	3,926,427	2,739,877
Provisions	58,927	45,134
Derivative liabilities	130,989	-
Other	66,077	66,216
TOTAL CURRENT LIABILITIES	4,182,420	2,851,227
NON-CURRENT LIABILITIES		
Bank Loan	13,453,518	-
Payables	1,249,814	414,321
Interest bearing loan and borrowings	4,000,000	4,000,000
Derivative liabilities	9,897,211	-
Provisions	885,806	753,726
TOTAL NON-CURRENT LIABILITIES	29,486,349	5,168,047
TOTAL LIABILITIES	33,668,769	8,019,274
NET ASSETS	35,219,034	32,558,370
EQUITY		
Contributed equity	75,316,707	63,934,259
Reserves	(7,917,089)	477,083
Accumulated Losses	(32,553,435)	(32,192,942)
Austindo Resources Corporation N.L. interest	34,846,183	32,218,400
Minority interests	372,851	339,970
TOTAL EQUITY	35,219,034	32,558,370

The accompanying notes form part of this financial report.

Austindo Resources Corporation N.L.
Consolidated Statement of Changes in Equity
for the Half Year ended 30 June 2006

	Note	30 June 2006 \$	30 June 2005 \$
Total equity at the beginning of the half-year		32,558,370	15,250,713
Gain on revaluation of investment, net of tax		1,863,391	-
Cost of share based payments		64,297	20,887
Options reserves relinquished on deconsolidation of previously controlled equity		-	(52,908)
Net unrealised loss on the revaluation of cash flow hedges		(9,614,630)	-
Exchange differences on translation of foreign operations		(707,230)	(655,394)
Net income/(loss) recognised directly in equity		(8,394,172)	(687,415)
Profit (loss) for the half-year		(360,493)	146,065
Total recognised income and expense for the half-year		(8,754,665)	(541,350)
Transactions with equity holders in their capacity as equity holders			
Contributed equity relinquished on loss of control of subsidiary		-	(416,701)
Contributions of equity	7	12,000,165	3,036,240
Capital raising costs		(617,717)	(5,195)
Movement in outside equity interests		32,881	(253,176)
		11,415,329	2,361,168
Total equity at the end of the half-year		35,219,034	17,070,531
Total recognised income and expense for the half-year is attributed to:			
Members of Austindo Resources Corporation N.L.		(8,754,665)	(541,350)
Minority equity interests		-	-
		(8,754,665)	(541,350)

The accompanying notes form part of this financial report.

Austindo Resources Corporation N.L.
Consolidated Cash Flow Statement
for the Half Year ended 30 June 2006

	30 June 2006	30 June 2005
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(1,455,863)	(499,138)
Interest received	109,734	47,582
Finance costs	(142,396)	(65,983)
	<hr/>	<hr/>
Net cash inflows (outflows) from operating activities	(1,488,525)	(517,539)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,339,077)	(147,691)
Exploration expenditure	(257,730)	(2,022,231)
Development expenditure	(7,945,092)	-
Loans repaid by associate	-	117,000
	<hr/>	<hr/>
Net cash inflows (outflows) from investing activities	(19,541,899)	(2,052,922)
	<hr/>	<hr/>
Cash flows from financing activities		
Funds invested in term deposit	(4,000,000)	-
Loans from related party	840,845	7,818
Loans to other persons	-	(75,320)
Proceeds from bank loan	13,453,518	-
Proceeds from issue of shares	12,000,165	3,036,240
Payments in respect of capital raisings	(617,717)	(5,195)
	<hr/>	<hr/>
Net cash inflows (outflows) from financing activities	21,676,811	2,963,543
	<hr/>	<hr/>
Net increase (decrease) in cash held	646,387	393,082
Cash at beginning of financial period	13,431,506	4,259,446
Cash relinquished on deconsolidation of former controlled entity	-	(1,538,514)
Net effect of exchange rate changes on cash	7,700	2,313
	<hr/>	<hr/>
Cash at the end of the half-year	14,085,593	3,116,327
	<hr/>	<hr/>

The accompanying notes form part of this financial report.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 30 June 2006 has been made out in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that this financial report is read in conjunction with the Annual Financial Report of Austindo Resources Corporation N.L. as at 31 December 2005, together with the public announcements made by Austindo Resources Corporation N.L. during the half-year ended 30 June 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of this financial report are set out below.

The consolidated financial statements of Austindo Resources Corporation N.L. have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalent to IFRS ('AIFRS') to distinguish from Australian GAAP. The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative assets and liabilities and financial instruments classified as available-for-sale.

The preparation of a financial report, in conformity with Australian Accounting Standards, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation

Controlled Entities

A controlled entity is any entity controlled by Austindo Resources Corporation N.L. Control exists where Austindo Resources Corporation N.L. has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Austindo Resources Corporation N.L. to achieve its objectives.

All inter-company balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation.

Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated financial report.

Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for in the parent entity's financial statements using the cost method and in the consolidated entity using the equity method of accounting, after initially being measured at cost.

The Group's share of its associate's post acquisition profits or losses is recognised in the income statement and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying value of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses.

(c) Foreign Currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Although Austindo Resources Corporation N.L. believes its Group functional currency is US dollars, for reporting purposes it has adopted Australian dollars as its presentation currency.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group Entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the closing exchange rate at the date of the balance sheet;
- income and expenses are translated at the average exchange rate for the period;
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entity, including long term loans, are taken to shareholders' equity.

(d) Derivative financial instruments

Current accounting policy

The consolidated entity uses derivative financial instruments to hedge its exposure to gold prices, foreign currency exchange and interest rate risks arising from operating, financing and investing activities. In accordance with treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, identifying the hedged item or transaction, the nature of the risk being hedged and how the changes in the hedged item's cash flows are attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial periods for which they are designated. The ineffective part of any gain or loss is recognised in the income statement.

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods which the hedged forecast transaction affects profit or loss.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Acquisition of Assets

All assets acquired including property, plant, equipment, and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

(f) Plant and Equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self constructed assets includes the costs of materials, direct labour, the initial estimate, where relevant, the costs of dismantling and removing items, restoring the site and an appropriate proportion of production overheads.

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resultant gain or loss is credited or charged to deferred exploration and development expenditures.

Construction in progress is stated at cost and it is transferred to the respective property and equipment account when completed and ready for use.

(g) Depreciation

Plant and equipment, office equipment and furniture are recorded at cost and are depreciated over their estimated useful economic lives using the straight line or diminishing value methods.

Major depreciation rates are:

	2006
Office equipment	25-40%
Office furniture	15-30%
Plant and equipment	25%

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Mineral Exploration, Evaluation and Development Expenditure

The Group's policy with respect to exploration and development expenditure is to use the area of interest method. Under this method exploration costs are carried forward on the following basis:

(i) Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration and evaluation costs.

(ii) Exploration costs related to an area of interest are carried forward provided that rights of tenure of the areas of interest are current and that one of the following conditions are met:

- such exploration costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration costs accumulated in respect of each particular area of interest include only expenditure related directly to operational activities in those areas.

(iii) The Group will maintain the tenements in good standing for at least the next twelve months.

(iv) The carrying values of mineral tenements are reviewed annually by directors where results of exploration and/or evaluation of an area of interest are sufficiently advanced to permit a reasonable estimate of the amount expected to be recouped through successful development of the area of interest or by its sale. Expenditure in excess of this amount is written off to the income statement in the period in which the review occurs. The carrying value of mineral tenements are carried forward and amortised over the expected useful life of each project.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments

Financial Instruments held for trading are classified as current assets and are stated at fair value with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the consolidated entity are classified as available-for-sale and are measured at their fair value with the resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains or losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is the quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investment.

(j) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of outstanding bank overdrafts.

(k) Comparative Amounts to Conform with Change

Where required, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

(l) Impairment of Assets

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

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee and Contractors Share and Option Plans

Shares options granted after 7 November 2002 and vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted is recognised as an employee benefit or other expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the holder became unconditionally entitled to the options.

The fair value at grant date was independently determined by WHK Corporate Advisory Limited using the Trinomial Tree option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of the option, the balance of the options reserve relating to those options is transferred to share capital.

(n) Earnings (loss) Per Share

Earnings (loss) per share is calculated as the operating profit (loss) after income tax divided by the weighted average number of ordinary shares outstanding during the period.

(o) Diluted Earnings (loss) Per Share

Diluted earnings (loss) per share is calculated as the operating profit (loss) after income tax divided by the weighted average number of ordinary shares outstanding during the year, together with potential ordinary shares, in respect of all options and convertible notes on issue and remaining unconverted as at the end of the period.

(p) Convertible Notes

Convertible Notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments.

Where the Convertible Notes issued by the Company, give rise to a contractual obligation to deliver cash to the holder, they are classified as liabilities to the extent of the obligation.

Interest expense on compound instruments is determined based on the liability component and includes the actual interest paid to holders. There are no dividends associated with the equity component.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee Benefits

Wages, salaries, and annual leave

Liabilities for wages and salaries and annual leave are expected to be settled within 12 months of the reporting date and are recognised in other creditors in respect of employees' services up to the reporting date. The amount is measured as the amounts expected to be paid when liabilities are settled.

Long Service Leave

A liability for long service leave is recognised, and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Superannuation

The amount charged to the income statement in respect of superannuation represents the contributions made by the Group to the superannuation funds of the employees.

(r) Provisions

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

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

(s) Restoration, Rehabilitation and Environmental Expenditure

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. If this occurs prior to commencement of production, the costs are included in capitalised tenement and infrastructure acquisition expenditure. If it occurs after commencement of production, restoration costs are provided for and charged to the profit and loss account.

The 'best estimate' approach as per *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* has been used to record the restoration provision. The provision is the best estimate of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future costs are reviewed annually and any changes are reflected in the restoration provision at the end of the reporting period.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Profit from the disposal of non-current assets is recognised when derived.

(u) Leases

Material finance leases of the consolidated entity are capitalised. Operating leases are not capitalised. Rental payments are charged against profits in equal instalments over the term of the lease.

(v) Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that, where necessary, take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(w) Income Tax

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

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

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

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(x) 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 Taxation 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.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
for the Half Year ended 30 June 2006

	30 June 2006	30 June 2005
	\$	\$
2 Profit/(Loss)from Ordinary Activities		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Interest revenue	226,199	37,996
Consultancy fee	1,394	-
Finance costs	(199,382)	(35,217)
Unrealised foreign exchange gain/(loss)	38,344	-

3 Non Cash Financing Activities

Interest accrued in respect of convertible notes issued	99,726	-
Interest accrued on convertible notes issued to PT Austindo Nusantara Jaya	-	35,217

4 Segment Information

Geographical Segments

	Management & Investment – Australia	Mineral Exploration & Development – Indonesia	Mineral Exploration & Development – Australia	Eliminations	Consolidated Entity
	30 June 2006	30 June 2006	30 June 2006	30 June 2006	30 June 2006
	\$	\$	\$	\$	\$
Revenue from ordinary activities	226,198	224,573	-	(223,178)	227,593
Segment Result					
Profit (loss) from ordinary activities before income tax expense	(986,444)	(221,325)	(34,952)	98,611	(1,144,110)
	30 June 2005	30 June 2005	30 June 2005	30 June 2005	30 June 2005
	\$	\$	\$	\$	\$
Revenue from ordinary activities	37,996	-	-	-	37,996
Segment Result					
Profit (loss) from ordinary activities before income tax expense	(554,386)	(63,888)	1,439,569	(675,230)	146,065

Austindo Resources Corporation N.L.
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5 Hedging

Gold Hedging

The mark to market gain/loss (the "net present value"), for each individual gold hedging contract is valued by comparing the forward price on gold for a comparable contract (same terms) with the fixed contract price for each contract. The forward price on gold is calculated with reference to gold borrowing rates ("lease fees") and the spot exchange rate at 30 June 2006. Individual gold contracts have been hedged up until 31 December 2010, totalling 185,014 ounces at a fixed price of US\$651.15 per ounce.

6 Contingent Liabilities

Project Facility Agreement

During December 2005, the Group executed a US\$26 million Project Facility Agreement with the Australian and New Zealand Banking Group Limited to support the development of the Cibaliung Gold Project in Banten Province, Indonesia. The Company is a guarantor under this agreement.

As security, under the ANZ Project Facility Agreement, the Australian and New Zealand Banking Group Limited has executed a number of deeds of security over PT Cibaliung Sumberdaya's receivables, fixed assets, project bank accounts, inventories, any potential insurance proceeds as well as future mining and refining rights.

7 Equity Raising

On 13 April 2006 Austindo Resources Corporation NL announced that Austock Corporate Finance Limited had undertaken a placement of 218 million ordinary fully paid shares in the Company at 5.5 cents per share to raise \$12 million ("Placement") for the development of the Cibaliung Gold Project and the Company's exploration activities in Indonesia.

On 20 April 2006 the Company announced that Tranche 1 of the Placement, raising \$3.2 million, had been completed. Tranche 1 was comprised of approx 59 million shares.

Following the Annual General Meeting on 23 May 2006, the Company completed Tranche 2 of the Placement comprising of 159.2 million shares and raising \$8.8 million.

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8 Correction of Prior-Period Error

As disclosed in the December 2005 year-end accounts the Group, in last years half-year accounts incorrectly recognised a revaluation gain of \$1,553,569 in relation to its investment in Castlemaine Goldfields Limited in a Revaluation Reserve account. Instead, this amount should have been recognised in the income statement. The issue was one of correct categorisation and not of incorrect amounts.

As per *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, the half-year comparative amounts have been restated.

The comparative amounts in the income statement were restated as:

Consolidated Income Statement	30 June 2005	
	\$	
Net loss, before correction	(1,407,504)	
Amount of correction	<u>1,553,569</u>	
Net profit, after correction	<u>\$ 146,065</u>	
	30 June 2005	30 June 2005
	\$	(restated) \$
Basic earnings (loss) per share (cents per share)	(0.25)	0.03
Diluted earnings (loss) per share (cents per share)	(0.25)	0.04

As presented in the Statement of Changes in Equity, the profit, as at 30 June 2005, was adjusted upwards by \$1,553,569, which represented the revaluation gain in relation to Castlemaine Goldfields Limited.

9 Associate Company

During April 2006, Mr John Carlile ceased to be a Director of Castlemaine Goldfields Limited. As of this date, Austindo Resources Corporation N.L could no longer exercise a significant influence over the direction of Castlemaine Goldfields Limited and, as such, ceased to account for its investment in Castlemaine Goldfields Limited using the equity method.

The share of net losses of \$34,952 in the income statement reflects the Group's share of Castlemaine Goldfields Limited's net losses for the first quarter of 2006, which is the period during which the Group exerted significant influence.

The investment in Castlemaine Goldfields Limited is now measured at fair value, with an entry, net of tax, credited to the revaluation reserve. The tax-affecting of this revaluation created a deferred tax liability which the Company has offset with available capital tax losses previously unbooked. The recognition of this previously unbooked capital tax loss created a tax benefit of \$783,617 in the income statement.

As at the 30 June 2006, the Company owned 20,000,000 shares at a quoted bid price of 22 cents each. The fair value of the investment, in Castlemaine Goldfields Limited, as at the 30 June 2006, was \$4.4m.

The Company's shareholding in Castlemaine Goldfields Limited is escrowed until 3 March 2007.

Austindo Resources Corporation N.L.
Notes to the Consolidated Financial Statements
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10 Matters Subsequent to the End of the Financial Period

Subsequent to the end of the financial period, on the 3 August 2006, the Company announced that it had accepted the resignation of Mr Ian Price, Managing Director and CEO of the Company.

On the 3 August 2006, the Company also announced that it has appointed Mr Hermani Soeprapto as Chief Operating Officer, based in Indonesia. Mr Soeprapto has assumed responsibility for all of the Company's Indonesian activities. Pending the appointment of a new CEO, Mr Soeprapto will report directly to the Chairman, Mr Bruce Watson.

A review of the Cibaliung Gold project, conducted in August 2006, identified that at that time additional project expenditure of approximately US\$15.2m (A\$19.7m at an exchange rate of 0.77) would be required to complete the project. The cost to complete may be affected by a variety of factors including ground conditions in the development of the decline and delays in the re-erection of the gold processing plant. The Company will be seeking additional debt finance and equity funding to meet these increased costs.

Austindo Resources Corporation N.L.

DIRECTORS' DECLARATION


The Directors of Austindo Resources Corporation N.L. declare that:

1. The financial statements and notes set out on pages 3 to 20 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Group's financial position as at 30 June 2006 and of its performance as represented by the results of its operations and its cashflows for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that Austindo Resources Corporation N.L. will be able to pay its debts as and when they become due and payable.

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



Bruce J. Watson
Non-Executive Chairman



John C. Carlile
Non-Executive Director

Dated this thirteenth day of September 2006.

