

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

COMPANY INFORMATION

Board of Directors

D.C. Pursell (Managing Director)
A. Jannink
G. R. Higgins
M.J. Leydin

Secretary

M.J.Leydin

Registered Office

Level 20
114 William Street
MELBOURNE VIC 3000
Telephone: (03) 9670 3766
Facsimile: (03) 9670 3691
Email: jervois@bigpond.com
Web Page: www.jervoismining.com.au

Share Registry

Computershare Investor Services Pty Ltd
452 Johnston Street
ABBOTTSFORD VIC 3067
Telephone: (03) 9415 5000

Bankers

ANZ Bank Limited
388 Collins Street
MELBOURNE VIC 3000

Auditors

Ian D. Riley
Chartered Accountant
3 Raglan Street
SOUTH MELBOURNE VIC 3205

Home Stock Exchange

Adelaide

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

DIRECTORS' REPORT

Your Directors herewith present their report on the Company and its controlled entity for the financial year ended 30th June 2006.

DIRECTORS

At the date of this report, the Directors in office, together with particulars of their qualifications, experience and special responsibility are:

Mr Duncan Pursell	Executive Chairman and Managing Director
Qualifications	B.Sc., M.Aus.I.M.M
Experience	Board member since 1987.
	Mr. Pursell is a mining engineer with more than forty-eight years experience. After graduating from Glasgow University he worked in West Africa before moving to Australia in the sixties.
Directorships in listed entities	Nil
Interests in shares - Directly	28,369,827 shares
Interests in shares - Beneficially	11,762,333 shares
Mr Anthony Jannink	Executive Director
Qualifications	M.A., F.Aus.I.M.M
Experience	Board member since 1987.
	Mr. Jannink is a geologist and proprietor of a geological consulting firm. After graduating from Cambridge he has gained forty years of experience working in Australia.
Directorships in listed entities	Nil
Interests in shares - Directly	15,899,675 shares
Interests in shares - Beneficially	672,333 shares
Mr Garrick Higgins	Non-Executive Director
Qualifications	B.Juris, LLB
Experience	Board member since 2004.
	Mr Higgins has over 23 years experience in the legal profession and is currently a partner of a legal firm in Melbourne.
Directorships in listed entities	Essential Petroleum Resources Limited (Director since 21 October 2000)
Interests in shares - Directly	Nil
Interests in shares - Beneficially	Nil

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

Ms Melanie Leydin Executive Director and Company Secretary

Qualifications CA

Experience Board member since 2006.
Company secretary since 2003

Ms Leydin was appointed as a director on 21 July 2006. Ms Leydin is a principal of Chartered Accounting firm, Leydin Freyer and has over 14 years experience in the accounting profession, specialising in the mining industry.

Directorships in listed entities Nil

Interests in shares - Directly 200,000 shares
Interests in shares - Beneficially Nil

Mr Roger Fairlam Non-Executive Director

Resigned as a Director on 21 July 2006

MEETINGS OF DIRECTORS

There were 8 meetings of the Company's Directors held during the year ended 30th June 2006 and the number of meetings attended by each Director are as follows:

Director	Eligible to attend	Attended by Directors
Duncan Pursell	8	8
Anthony Jannink	8	8
Roger Fairlam ⁽¹⁾	8	8
Garrick Higgins	8	7
Melanie Leydin ⁽²⁾	-	-

⁽¹⁾ Mr Fairlam resigned as a Director on 21 July 2006.

⁽²⁾ Ms Leydin was appointed as a Director on 21 July 2006.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

REMUNERATION REPORT

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration as considered appropriate.

Non-Executive Director Remuneration

Non-executive directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act at the time of the Directors retirement or termination. Non-Executive Directors remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the amount of director fees being paid by comparable companies with similar responsibilities and the experience of the non-executive directors when undertaking the annual review process.

The current maximum amount of fees payable to Non-executive directors is fixed at \$250,000 in total, for each 12 month period commencing 1 July each year, until varied by ordinary resolution of shareholders.

The names and positions of each person who held the position of director at any time during the financial year is provided above. The executives in the consolidated group who received the highest remuneration for the financial year are:

Executives	Position
Ms Melanie Leydin ⁽¹⁾	Company Secretary and Chief Financial Officer
Mr Derek Foster	Mine Manager

⁽¹⁾ Ms Leydin was appointed as a Director on 21 July 2006

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

Details of Remuneration for Year Ended 30 June 2006

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Note	Salary, Fees and Commissions	Superannuation Contribution	Non-cash Benefits	Options	Total
		\$	\$	\$	\$	\$
Directors						
Mr D Pursell	(i)	100,000	-	-	-	100,000
Mr A Jannink	(ii)	100,000	-	-	-	100,000
Mr R Fairlam	(iii)	36,515	-	-	-	36,515
Mr G Higgins	(iv)	12,000	-	-	-	12,000
Mr G Screen	(v)	6,000	-	-	-	6,000
		254,515	-	-	-	254,515

Specified Executives

Ms M Leydin	(vi)	31,438	-	-	-	31,438
Mr D Foster	(vii)	90,000	-	-	-	90,000
		121,438	-	-	-	121,438

- (i) Fees paid to Wilmaka Pty Ltd of which Mr Pursell is a director
- (ii) Fees paid to Douglas McKenna & Partners of which Mr Jannink is a director
- (iii) Fees paid to Sujil Pty Ltd of which Mr Fairlam is a director
- (iv) Fees paid to TressCox of which Mr Higgins is a principal
- (v) Fees paid to Maximusic Pty Ltd and Winemax Pty Ltd of which Mr Screen is a director.
- (vi) Fees paid to Leydin Freyer Corporate of which Ms Leydin is a director.
- (vii) Fees paid to Derek Foster & Associates Pty Ltd of which Mr Foster is a director.

Options Issued as Part of Remuneration for the Year Ended 30 June 2006

There were no options issued as part of remuneration during the year.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

Details of Remuneration for Year Ended 30 June 2005

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Note	Salary, Fees and Commissions	Superannuation Contribution	Non-cash Benefits	Options	Total
		\$	\$	\$	\$	\$
Directors						
Mr D Pursell	(i)	100,000	-	-	-	100,000
Mr A Jannink	(ii)	100,000	-	-	-	100,000
Mr R Fairlam	(iii)	20,000	-	-	-	20,000
Mr G Higgins	(iv)	12,000	-	-	-	12,000
Mr G Screen	(v)	12,000	-	-	-	12,000
		244,000	-	-	-	244,000

Specified Executives

Ms M Leydin	(vi)	24,676	-	-	-	24,676
Mr D Foster	(vii)	96,000	-	-	-	96,000
		120,676	-	-	-	120,676

- (i) Fees paid to Wilmaka Pty Ltd of which Mr Pursell is a director
- (ii) Fees paid to Douglas McKenna & Partners of which Mr Jannink is a director
- (iii) Fees paid to Sujil Pty Ltd of which Mr Fairlam is a director
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Options Issued as Part of Remuneration for the Year Ended 30 June 2005

There were no options issued as part of remuneration during the year.

FINANCIAL REVIEW

The consolidated operating loss after income tax for the financial year ended 30 June 2006 was \$3,264,008 (2005 – loss of \$3,010,166).

During the year the company successfully raised \$978,975 (after costs) by way of placements and a share purchase plan.

The net assets of the consolidated entity have decreased by \$1,945,033 from 30 June 2005 to \$3,988,793. The major movements were:

- (i) Capital raisings – as detailed above
- (ii) Capitalisation of exploration expenditure of \$1,083,974
- (iii) Write off of exploration expenditure previously capitalised of \$384,116
- (iv) Operating loss on Bullabulling mine of \$2,066,922
- (v) Operating costs

The consolidated entity's working capital, being current assets less current liabilities is \$719,038 in 2006 compared with \$4,154,243 in 2005.

The Directors believe the Company is in a strong and stable position to expand and grow its current operations.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

REVIEW OF OPERATIONS

YOUNG, NSW

Nickel/Cobalt/Scandium/Iron Laterite
Exploration Licences 5527, 5571 and 5152

Resource Statement

0.6% Ni cut-off: 167 million tonnes at 0.72% Ni, 0.07% Co

The above resource is the Company's major asset.

The Company has been testing, in Canada and Australia, the application of an atmospheric pressure hydrochloric acid leach carried out in strong magnesium chloride brine. The enhanced reaction of hydrochloric acid in chloride brines is the driving force for these concepts designed to attempt to overcome some of the problems associated with hydrometallurgical-processing of lateritic nickel resources.

The failure of the original three High Pressure Acid Leach operations in WA are the best examples of the problems that can arise.

The Company (Jervois) has funded this work on its own and to date has had considerable success in that excellent recoveries for nickel and cobalt were achieved for all resource types within 15 to 30 minutes. The Company is very satisfied with progress to date but recognises that an essential last step is the re-generation and re-cycling of the hydrochloric acid. The testwork in progress presently is being directed to finding the simplest and cheapest method of hydrochloric acid re-generation. There are a number of commercial routes to the recovery and re-use of hydrochloric acid. All options are being examined. The ready availability of gas from the Moomba-Sydney gas pipeline which crosses the Young deposit is a positive factor due to the likely necessity to inject (heat) into any acid recovery system developed.

Heap Leach

The Company is examining the potential for heap leach of Young laterites. These results should not be confused with 'agitation' leach results reported on previously.

Column leach testwork at Metcon, Brookvale, NSW, on agglomerated weathered serpentinite material using an atmospheric temperature acidified chloride leach feed solution has yielded up to 65% nickel and cobalt recovery after 3 months of wetting at a typical heap leach wetting rate. Extraction is continuing to increase linearly with time.

Possible Joint Ventures – Young, NSW

The Company has been consistent by stating that potential partners would be approached when the hydrochloric acid leach process was complete, at least at 'bench' scale. The objective of this exercise is to attempt to identify a process that will make the Young nickel/cobalt laterite resource economic to mine and treat competitively down to historically low nickel prices. Most shareholders would be aware that the record high prices for nickel (A\$15.00 per pound) may not be sustainable. Even expert opinion is divided on this however. As reported, there has already been limited interest from China and Malaysia. So far nothing serious has emerged from these approaches. This could change quickly as the Young nickel/cobalt laterite does contain 1.6 million tonnes of nickel metal and 168,000 tonnes of cobalt metal in the ground. The location is excellent and sovereign risk as low as one could wish.

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ABN :52 007 626 575

NYNGAN, NSW (Gilgai Resource)
Nickel, Cobalt and Scandium in Laterites
Exploration Licences 6009, 6095 and 6096

At this locality, sufficient drilling was completed in February 2006 to yield resources in the 'measured' and 'indicated' category. The measured resource totalled 2.7 million tonnes containing 272 parts per million of scandium at a low overburden/resource ratio.

Laterites in general are difficult to treat with the possible exception of gold bearing laterites. Despite the relatively high grade of the scandium at Nyngan, this laterite also falls into the 'difficult' category. We can report some positives as follows:

Testwork has continued in both Canada and Australia on developing a viable process for scandium removal. The Canadian work has shown good scandium recoveries (>80%) with chloride leaching, and has developed a novel flowsheet to produce scandium oxide. The 'first pass' testwork generated a sample analysing ~95% Sc₂O₃ (scandium oxide). Mineralogical analysis of the feed sample is awaited. A sulphuric acid approach is also being tested in both countries, as a potentially cheaper and simpler alternative to the chloride approach. However, results to date have been somewhat disappointing. Testwork continues on both leaching routes, as well as for a resin-based approach which may be simpler than the novel flowsheet so far tested. The Company remains confident that a viable and economic flowsheet will be developed over the next few months for the Gilgai Scandium Resource.

BULLABULLING, WA
Gold Resource
Mining Leases 15/282, 483, 503, 529, 554 and 1414

Gold Production

Late in the Financial Year, gold production finally re-started, having been delayed, like many WA gold operations, by abnormally wet and decidedly unseasonal weather. This wet weather affects our ability to screen and crush the CKGM resource.

Gold production for the year was 814.212oz sold for \$524,007 to AGR Matthey of Kalgoorlie.

The mine is not yet trading profitably but the better grades identified at year-end should allow profitable operations for 2006-2007.

NEW AGE EXPLORATION LIMITED JOINT VENTURE

As was announced on 6 June 2006, Jervois entered into a 'Heads of Agreement' with Labtam Limited with respect to joint venturing certain tenements in Western Australia. At a meeting of its shareholders on 20 July 2006, Labtam changed its name to 'New Age Exploration Limited'. The shareholders also approved a new capital raising by way of a Prospectus. This Prospectus was lodged with ASIC on Friday 28 July 2006.

The joint venture agreement covers 5 Exploration Licence Applications, 7 granted Prospecting Licences and 2 Prospecting Licence Applications. The exploration licences lie 200 to 450 km NW of Kalgoorlie. They cover calcrete and trunk valley drainages that are prospective for uranium mineralisation and have uranium occurrences in or nearby the tenements. The models of uranium deposits at Yeleerie and Lake Maitland fit the geological setting of these areas. The prospecting licences, on the other hand, lie south of the Company's Bullabulling gold mine near Coolgardie.

New Age Exploration may earn up to a 60% interest in the tenements by spending a staged \$1.5 million on exploration over 3 years. The agreement is subject to the successful re-listing of New Age Exploration.

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ABN :52 007 626 575

NEW ACQUISITIONS, WA

On 3 July 2006, three Prospecting Licence numbers P15/4460 to P15/4462 covering 395 hectares were purchased and transferred to the Company from Mr G.A. Main. The purchase price of the tenements was 2 million ordinary shares in Jervois. The area lies between the Company's existing mining leases with the Gibraltar mine to the east and the Edwards pit to the west. The tenements contain old workings and are considered very prospective for further gold mineralisation.

FOREST REEFS JOINT VENTURE, NSW

Exploration Licence 4620

Newcrest Operations Limited 80%

Jervois Mining Limited 20%

Newcrest reported limited activity at this location for the year

SHARE PURCHASE PLAN

Summary and Comment

The Share Purchase Plan announced on 29 May 2006 closed on 21 July 2006, having been extended for 2 weeks. During the offer period, the share price weakened to around the proposed issue price of 1.5 cents. As a consequence, the issue was not well received by shareholders. In any event, the Plan raised approximately \$460,000 and as a consequence 30,666,658 fully paid shares have been allotted.

DIVIDENDS

The Directors do not propose to recommend payment of a dividend. No dividends have been paid or declared by the Company since the end of the previous financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Company that occurred during the financial year were as follows:

- In April 2006 the company raised \$535,000 (before costs) from the issue of 42,759,999 shares at 1.25 cents
- In May 2006 the company raised \$549,010 (before costs) from the issue of 39,214,999 shares at 1.4 cents

INDEMNIFICATION OF OFFICERS OR AUDITORS

The Company has not, during or since the end of the financial year, indemnified or made a relevant agreement for indemnification, or has paid or agreed to pay any insurance premium against any liability of any person who is or has been an officer or auditor of the Company or of a related body corporate.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the year were gold production and mineral exploration.

There were no significant changes in the nature of these activities during the year.

OTHER MATTERS

A review of the operations of the economic entity during the financial year and of the results of those operations is contained in the Managing Director's report.

ENVIRONMENTAL REGULATIONS

The economic entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the licence and all directions given to it under those terms of the licence.

There have been no known breaches of the entity's licence conditions.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

SUBSEQUENT EVENTS

Since the end of the financial year there have been no matters or circumstances which significantly affected or may significantly affect the operation of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years, other than:

- During July and August 2006 the Company raised \$460,000 as a result of the issue of 30,666,658 shares at 1.5 cents under the Share Purchase Plan.
- In August 2006 the company issued 5,500,000 shares at an issue price of 1.3 cents in consideration for the transfer of tenements and the purchase of machinery.
- In August 2006 the Company placed 30,000,000 shares at an issue price of 1.1 cents to raise \$330,000 for working capital.

FUTURE DEVELOPMENTS

Likely developments in the operations of the economic entity and the expected results of those operations in subsequent financial years are included in the Managing Director's Report. In the opinion of the Directors any further information would prejudice the interest of the economic entity.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Jervois Mining Limited support and have adhered to the principles of Corporate Governance. The Company's Corporate Governance statement is contained in the additional ASX information section of this annual report.

OPTIONS

At the date of this report, there are 50,000,000 unissued ordinary shares under option.

Item	Number	Issue Price of Shares	Expiry Date
Unlisted Options	50,000,000	2 cents	1 September 2010

During the year 50,000,000 options were issued, and no options were exercised.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2006 is provided with this Directors Reports.

NON AUDIT SERVICES

There were no fees paid during the year to the external auditors for non-audit services.

PROCEEDINGS ON BEHALF OF COMPANY

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

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

On behalf of the Board



D.C. PURSELL, Director

28 September 2006

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

IAN D RILEY

Chartered Accountant

ABN 86 673 257 016

3 Raglan Street South Melbourne Vic 3205

AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

28 September 2006

The Directors
Jervois Mining Limited
Level 20
114 William Street
MELBOURNE VIC 3000

Dear Sirs

AUDITOR'S INDEPENDENCE DECLARATION

As engagement partner for the audit of Jervois Mining Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

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



Ian D Riley
Principal
Chartered Accountant

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

SCHEDULE OF MINING AND EXPLORATION TENEMENTS AS AT 30 JUNE 2006

<u>Locality</u>	<u>Tenement</u>	<u>Equity</u>
Bullabulling, W.A.	Mining Lease 15/282	100%
	Mining Lease 15/483	100%
	Mining Lease 15/503	100%
	Mining Lease 15/529	100%
	Mining Lease 15/554	100%
	Mining Lease 15/1414	100%
	Exploration Licence 15/841	100%
	Prospecting Licence 15/4660	100%
	Prospecting Licence 15/4661	100%
	Prospecting Licence 15/4662	100%
	Prospecting Licence 15/4742	100%
	Prospecting Licence 15/4743	100%
	Prospecting Licence 15/4744	100%
	Prospecting Licence 15/4745	100%
	Prospecting Licence 15/4746	100%
	Prospecting Licence 15/4747	100%
	Prospecting Licence 15/4748	100%
	Forest Reefs, N.S.W.	Exploration Licence 4620
Nyngan, N.S.W.	Exploration Licence 6009	100%
	Exploration Licence 6095	100%
	Exploration Licence 6096	100%
Young, N.S.W.	Exploration Licence 5527	100%
	Exploration Licence 5571	100%
	Exploration Licence 5152	100%

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

INCOME STATEMENT
For the year ended 30th June, 2006

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue	3	658,239	1,377,560	658,239	1,377,560
Cost of Sales		<u>(2,725,161)</u>	<u>(2,117,595)</u>	<u>(2,725,161)</u>	<u>(2,117,595)</u>
Gross Profit		(2,066,922)	(740,035)	(2,066,922)	(740,035)
Corporate costs		(314,600)	(281,646)	(314,600)	(281,646)
Employment costs		(52,453)	(54,851)	(52,453)	(54,851)
Occupancy costs		(116,246)	(111,839)	(116,246)	(111,839)
Depreciation	4	(124,359)	(20,551)	(124,359)	(20,551)
Exploration and restoration expenditure written off		(391,717)	(739,305)	(391,717)	(655,068)
Loss on sale of mining tenement		-	(767,161)	-	(767,161)
Research & Development written off		-	(180,000)	-	(180,000)
Other expenses from ordinary activities		<u>(197,711)</u>	<u>(114,778)</u>	<u>(197,711)</u>	<u>(114,778)</u>
Operating loss before income tax		(3,264,008)	(3,010,166)	(3,264,008)	(2,925,929)
Income tax expense	5	-	-	-	-
Operating loss after income tax		<u>(3,264,008)</u>	<u>(3,010,166)</u>	<u>(3,264,008)</u>	<u>(2,925,929)</u>
Profit attributable to members of the parent entity		<u>(3,264,008)</u>	<u>(3,010,166)</u>	<u>(3,264,008)</u>	<u>(2,925,929)</u>
			Cents per Share		Cents per Share
Earnings per share					
Basic Earnings per share	23	(0.34)	(0.42)		
Diluted Earnings per share	23	(0.34)	(0.42)		

The accompanying notes form an integral part of these financial statements.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

BALANCE SHEET
As at 30 June 2006

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2006 \$	2005 \$	2006 \$	2005 \$
Current Assets					
Cash and cash equivalents	19	241,251	3,101,603	241,251	3,101,603
Trade and other receivables	6	853,886	724,495	853,886	724,495
Financial assets	7	-	-	-	-
Inventories	8	185,147	722,438	185,147	722,438
Total Current Assets		<u>1,280,284</u>	<u>4,548,536</u>	<u>1,280,284</u>	<u>4,548,536</u>
Non-Current Assets					
Property, plant and equipment	9	881,938	93,816	881,938	93,816
Deferred expenditure	10	2,610,616	1,910,758	2,610,616	1,910,758
Other	11	27,201	25,009	27,201	25,009
Total Non-Current Assets		<u>3,519,755</u>	<u>2,029,583</u>	<u>3,519,755</u>	<u>2,029,583</u>
Total Assets		<u>4,800,039</u>	<u>6,578,119</u>	<u>4,800,039</u>	<u>6,578,119</u>
Current Liabilities					
Trade and other payables	12	561,246	394,293	561,246	394,293
Total Current Liabilities		<u>561,246</u>	<u>394,293</u>	<u>561,246</u>	<u>394,293</u>
Non-Current Liabilities					
Long-term provisions	13	250,000	250,000	250,000	250,000
Total Non-Current Liabilities		<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total Liabilities		<u>811,246</u>	<u>644,293</u>	<u>811,246</u>	<u>644,293</u>
Net Assets		<u>3,988,793</u>	<u>5,933,826</u>	<u>3,988,793</u>	<u>5,933,826</u>
Equity					
Issued capital	14	32,112,620	31,133,645	32,112,620	31,133,645
Reserves	15	1,370,444	1,030,444	1,370,444	1,030,444
Accumulated losses		(29,494,271)	(26,230,263)	(29,494,271)	(26,230,263)
Total Equity		<u>3,988,793</u>	<u>5,933,826</u>	<u>3,988,793</u>	<u>5,933,826</u>

The accompanying notes form an integral part of these financial statements.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

STATEMENTS OF CASH FLOWS
For the year ended 30th June, 2006

		CONSOLIDATED ENTITY		PARENT ENTITY	
	Note	2006	2005	2006	2005
		\$	\$	\$	\$
Cash Flows From Operating Activities					
Receipts from customers		482,660	1,424,330	482,660	1,424,330
Interest received		110,529	42,649	110,529	42,649
Payments to suppliers and employees		<u>(2,731,509)</u>	<u>(2,777,544)</u>	<u>(2,731,509)</u>	<u>(2,777,544)</u>
Net cash used in operating activities	20	<u>(2,138,320)</u>	<u>(1,310,565)</u>	<u>(2,138,320)</u>	<u>(1,310,565)</u>
Cash Flows From Investing Activities					
Refund of / (Payment for) bonds		(34,759)	11,000	(34,759)	11,000
Payments for property, plant and equipment		(912,481)	(9,968)	(912,481)	(9,968)
Proceeds from sale of mining tenement		-	200,000	-	200,000
Payment for exploration activities		<u>(753,767)</u>	<u>(254,854)</u>	<u>(753,767)</u>	<u>(254,854)</u>
Net cash used in investing activities		<u>(1,701,007)</u>	<u>(53,822)</u>	<u>(1,701,007)</u>	<u>(53,822)</u>
Cash Flows From Financing Activities					
Proceeds from the issue of shares (net)		<u>978,975</u>	<u>4,295,147</u>	<u>978,975</u>	<u>4,295,147</u>
Net cash provided by financing activities		<u>978,975</u>	<u>4,295,147</u>	<u>978,975</u>	<u>4,295,147</u>
Net Increase (Decrease) in Cash Held		(2,860,352)	2,930,760	(2,860,352)	2,930,760
Cash and cash equivalents at the Beginning of the Financial Year		<u>3,101,603</u>	<u>170,843</u>	<u>3,101,603</u>	<u>170,843</u>
Cash and cash equivalents at the End of the Financial Year	19	<u>241,251</u>	<u>3,101,603</u>	<u>241,251</u>	<u>3,101,603</u>

The accompanying notes form an integral part of these financial statements.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

STATEMENT OF CHANGES IN EQUITY
For the year ended 30th June, 2006

CONSOLIDATED	Issued Capital	Retained Earnings	Capital Profits Reserve	General Reserve	Option Reserve	Total
At 1 July 2004	26,838,496	(23,220,097)	909,907	120,537	-	4,648,843
Loss for the year	-	(3,010,166)	-	-	-	(3,010,166)
Exercise of options	1,052	-	-	-	-	1,052
Issue of Shares	4,455,900	-	-	-	-	4,455,900
Costs of Share issue	(161,803)	-	-	-	-	(161,803)
At 30 June 2005	31,133,645	(26,230,263)	909,907	120,537	-	5,933,826

CONSOLIDATED	Issued Capital	Retained Earnings	Capital Profits Reserve	General Reserve	Option Reserve	Total
At 1 July 2005	31,133,645	(26,230,263)	909,907	120,537	-	5,933,826
Share based payments	-	-	-	-	340,000	340,000
Loss for the year	-	(3,264,008)	-	-	-	(3,264,008)
Issue of Shares	1,083,510	-	-	-	-	1,083,510
Costs of Share issue	(104,535)	-	-	-	-	(104,535)
At 30 June 2006	32,112,620	(29,494,271)	909,907	120,537	340,000	3,988,793

PARENT	Issued Capital	Retained Earnings	Capital Profits Reserve	General Reserve	Option Reserve	Total
At 1 July 2004	26,838,496	(23,304,334)	909,907	120,537	-	4,564,606
Loss for the year	-	(2,925,929)	-	-	-	(2,925,929)
Exercise of options	1,052	-	-	-	-	1,052
Issue of Shares	4,455,900	-	-	-	-	4,455,900
Costs of Share issue	(161,803)	-	-	-	-	(161,803)
At 30 June 2005	31,133,645	(26,230,263)	909,907	120,537	-	5,933,826

PARENT	Issued Capital	Retained Earnings	Capital Profits Reserve	General Reserve	Option Reserve	Total
At 1 July 2005	31,133,645	(26,230,263)	909,907	120,537	-	5,933,826
Share based payments	-	-	-	-	340,000	340,000
Loss for the year	-	(3,264,008)	-	-	-	(3,264,008)
Issue of Shares	1,083,510	-	-	-	-	1,083,510
Costs of Share issue	(104,535)	-	-	-	-	(104,535)
At 30 June 2006	32,112,620	(29,494,271)	909,907	120,537	340,000	3,988,793

The accompanying notes form an integral part of these financial statements.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30th June, 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Jervois Mining Limited and its controlled entities, and Jervois Mining Limited as an individual parent entity. Jervois Mining Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Jervois Mining Limited and controlled entities, and Jervois Mining Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

The financial statements were authorised for issue by the Directors on 28 September 2006.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Jervois Mining Limited and controlled entities, and Jervois Mining Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Copper Strike Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on a accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies

(i) Funding Ongoing Operations

The operations of Jervois Mining Limited have not yet reached a stage where profitable operations can provide a cash flow to support the expenditure of the Company. Accordingly the Company must rely on the continued support of its shareholders and the investment community generally to fund future activities. The ability of the Company to continue as a going concern is dependant upon it's ability to continue to raise funds through future capital raisings until the Company's operating cash flows are sufficient for it to fund ongoing operations.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of Jervois Mining Limited and its subsidiary ('the Group'). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transaction, including unrealised profits arising form intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Jervois Mining Limited.

(iii) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Plant and Equipment (Mining):	20%
Furniture and Fittings:	14% - 20%
Computer equipment:	40%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revaluations

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(iv) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(v) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(vi) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(vii) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share-based payments

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. Under the transitional arrangements for first-time adoption of AIFRS, no expense has been recognized for options granted before 7 November 2002 and/or vested before 1 January 2005. For options granted after 7 November 2002 and vesting after 1 January 2005 the fair value of options at grant date is determined using a Black-Scholes option pricing model, and is recognized as an employee expense over the period during which the employees become entitled to the option.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognized as an expense when the employees become entitled to the shares.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(viii) Provision for rehabilitation

Environmental obligations associated with the retirement or disposal of long lived assets will be recognized when the disturbance occurs and is based on the extent of damage incurred. The provision is measured at the present value of the future expenditure and a corresponding rehabilitation asset is also recognized. On an ongoing basis, the rehabilitation liability will be re-measured in line with the changes in the time value of money (recognized as an expense in the Statement of Financial Performance and an increase in the provision), and additional disturbances will be recognized as additions to a corresponding asset and rehabilitation liability. The rehabilitation asset will be accounted for in accordance with the accounting policy applicable to the asset to which it relates (ie. exploration expenditure)

(ix) Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(x) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of gold

Revenue received from the sale of gold is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably, Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

(xi) 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 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.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xi) 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.

(xii) 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.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing 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.

(xiii) Exploration and Development Expenditure

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

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

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(c) Summary of significant accounting policies (continued)

(xiii) Exploration and Development Expenditure (continued)

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

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

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

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

(xiv) Impairment of Assets

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

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

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

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

2. IMPACT OF ADOPTION OF AIFRS

(i) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

(ii) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

Reconciliation of total equity as presented under AGAAP to that under AIFRS

		30 June 2005 \$	1 July 2004 \$
Total Equity under AGAAP		6,044,726	4,803,411
Provision for rehabilitation expense	(a)	(110,900)	(106,900)
Write back of goodwill on consolidation	(b)	-	(49,500)
Write back of amortisation of goodwill	(b)	-	-
			-
Loss after tax under AIFRS		5,933,826	4,647,011

(a) Under AASB137 Provisions, Contingent Liabilities and Contingent Assets, the company is now required to recognise a provision for rehabilitation. The provision for rehabilitation expense is recognised over the life of the project.

(b) Under AASB138 Intangible Assets the goodwill on consolidation assets was assessed at a fair value of nil and accordingly written off as at 1 July 2004. Associated amortisation charges have also been written off.

Reconciliation of profit after tax under AGAAP to that under AIFRS

		Consolidated Year Ended 30 June 2005 \$	Parent Year Ended 30 June 2005 \$
Loss after tax as previously reported		3,055,666	2,921,929
Provision for rehabilitation.	(a)	4,000	4,000
Write back of goodwill on consolidation	(b)	(49,500)	-
			-
Loss after tax under AIFRS		3,010,166	2,925,929

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

2. IMPACT OF ADOPTION OF AIFRS (continued)

(ii) Impact of adoption of AIFRS (continued)

- (a) Under AASB137 Provisions, Contingent Liabilities and Contingent Assets, the company is now required to recognise a provision for rehabilitation. The provision for rehabilitation expense is recognised over the life of the project.
- (b) Under AASB138 Intangible Assets the goodwill on consolidation assets was assessed at a fair value of nil and accordingly written off as at 1 July 2004. Associated amortisation charges have also been written off.

Explanation of material adjustment to cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006 \$	2005 \$	2006 \$	2005 \$
3. REVENUE FROM ORDINARY ACTIVITIES				
(a) Revenue from operating activities				
Gold Sales	524,007	1,299,543	524,007	1,299,543
	<u>524,007</u>	<u>1,299,543</u>	<u>524,007</u>	<u>1,299,543</u>
(b) Revenue from non-operating activities				
Rent received	10,313	35,368	10,313	35,368
Interest received	110,529	42,649	110,529	42,649
Other Income	13,390	-	13,390	-
	<u>134,232</u>	<u>78,017</u>	<u>134,232</u>	<u>78,017</u>
Total Revenue	<u>658,239</u>	<u>1,377,560</u>	<u>658,239</u>	<u>1,377,560</u>
4. EXPENSES				
<i>(a) Depreciation and amortisation expense:</i>				
Depreciation – property, plant & equipment	124,359	20,551	124,359	20,551
Total Depreciation and amortisation	<u>124,359</u>	<u>20,551</u>	<u>124,359</u>	<u>20,551</u>
Operating Lease Expense	<u>109,449</u>	<u>117,233</u>	<u>109,449</u>	<u>117,233</u>
<i>(b) Significant items:</i>				
Loss on disposal of Mt Moss tenement	-	767,161	-	767,161
Exploration expenditure written off	384,116	739,305	384,116	739,305
Research and development written off	-	180,000	-	180,000
Total Significant items	<u>384,116</u>	<u>1,686,466</u>	<u>384,116</u>	<u>1,686,466</u>

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
5. INCOME TAX				
(a) The Components of Tax Expense comprise:				
Current Tax	-			
Deferred Tax	-			
	-	-	-	-
(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Profit/(Loss) from Ordinary Activities	(3,264,008)	(3,010,166)	(3,264,008)	(2,925,929)
Income tax expense/(benefit) calculated at 30%	(979,202)	(903,050)	(979,202)	(877,779)
Add:				
Tax Effect of:				
- Accrued Expenses	-	-	-	-
- Permanent Differences	646	477	646	477
- Other Temporary Differences	1,844	-	1,844	-
- Write off of Investments	-	537,757	-	497,636
	(976,712)	(364,816)	(979,202)	(379,666)
Less:				
Tax Effect of:				
- Capitalised Deductible Exploration Expenditure	(209,957)	-	(209,957)	-
- Deductible Black Hole Expenditure	(30,913)	-	(30,913)	-
	(1,217,582)	(364,816)	(1,217,582)	(379,666)
Add:				
Income Tax losses carried forward not taken up as benefit	1,217,582	364,816	1,217,582	379,666
	-	-	-	-
Future income tax benefits not brought to account as assets:				
- Tax Losses	6,086,254	4,868,672	6,086,254	4,868,672
- Temporary Differences	(633,759)	(408,678)	(633,759)	(408,678)
	5,452,495	4,459,994	5,452,495	4,459,994

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- i) the consolidation entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
- ii) The consolidation entity continues to comply with the conditions for deductibility imposed by law, and
- iii) No change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006 \$	2005 \$	2006 \$	2005 \$
6. TRADE AND OTHER RECEIVABLES				
Current				
Trade debtors	67,024	-	67,024	-
Sundry debtors	-	1,975	-	1,975
Security deposits	727,009	692,250	727,009	692,250
GST Receivable	59,853	30,270	59,853	30,270
	<u>853,886</u>	<u>724,495</u>	<u>853,886</u>	<u>724,495</u>
7. FINANCIAL ASSETS				
Current				
Shares in wholly owned subsidiary – at cost	-	-	105,000	105,000
Less : Provision for diminution	-	-	(105,000)	(105,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8. INVENTORIES				
Recoverable gold retained in heap leach	<u>185,147</u>	<u>722,438</u>	<u>185,147</u>	<u>722,438</u>
9. PLANT AND EQUIPMENT				
Plant and Equipment – at cost	1,135,489	223,008	1,135,489	223,008
Less : Accumulated depreciation	(253,551)	(129,192)	(253,551)	(129,192)
	<u>881,938</u>	<u>93,816</u>	<u>881,938</u>	<u>93,816</u>
<i>Reconciliation of Movement</i>				
Balance at beginning of year	93,816	104,399		
Acquisitions	912,481	9,968		
Depreciation expense	(124,359)	(20,551)		
Balance at end of year	<u>881,938</u>	<u>93,816</u>		
10. DEFERRED EXPENDITURE				
<u>Research And Development</u>				
Balance brought forward	-	180,000	-	180,000
Expenditure for the year	-	-	-	-
Expenditure written off	-	(180,000)	-	(180,000)
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Exploration Expenditure</u>				
Balance brought forward	1,910,758	3,547,379	1,910,758	3,463,142
Expenditure for the year	1,083,974	69,845	1,083,974	69,845
Disposal of mining tenement	-	(967,161)	-	(967,161)
Expenditure written off	(384,116)	(739,305)	(384,116)	(655,068)
Balance at end of year	<u>2,610,616</u>	<u>1,910,758</u>	<u>2,610,616</u>	<u>1,910,758</u>
	<u>2,610,616</u>	<u>1,910,758</u>	<u>2,610,616</u>	<u>1,910,758</u>
Joint venture assets included in exploration expenditure carried forward (Note 16)	<u>50,000</u>	<u>400,000</u>	<u>50,000</u>	<u>400,000</u>

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

10. DEFERRED EXPENDITURE (continued)

The ultimate recoupment of costs carried forward for exploration expenditure & tenement acquisition and research and development is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of costs carried forward for the exploration phase is not being recognised pending the commencement of production.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
11. OTHER NON CURRENT ASSETS				
Pastoral Lease	<u>27,201</u>	<u>25,009</u>	<u>27,201</u>	<u>25,009</u>
12. TRADE AND OTHER PAYABLES				
Current				
Trade creditors	359,086	336,412	359,086	336,412
Other creditors	48,160	57,881	48,160	57,881
Accrued income	<u>154,000</u>	<u>-</u>	<u>154,000</u>	<u>-</u>
	<u>561,246</u>	<u>394,293</u>	<u>561,246</u>	<u>394,293</u>
13. LONG-TERM PROVISIONS				
Provision for rehabilitation	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
14. CONTRIBUTED EQUITY				
(a) Issued and Paid Up Capital				
1,037,056,040 (2005 – 955,081,042) ordinary shares fully paid	<u>32,112,620</u>	<u>31,133,645</u>	<u>32,112,620</u>	<u>31,133,645</u>

(b) Terms and conditions of contributed equity

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity is proportional to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Options

During the 2005 financial year 21,042 listed options expiring on 28 February 2005 were exercised at an exercise price of \$0.05 cents per share. On 28 February 2005, 76,216,667 options expired.

During the 2006 financial year 50,000,000 unlisted options were issued. These unlisted options expire on 1 September 2010 and have an exercise price of 2 cents.

In accordance with AASB2, the value of the options was assessed at 1.7 cents. The Directors have adopted the option value of \$340,000 for the 50,000,000 options issued.

The options were valued using the Black Scholes option valuation methodology and the key assumptions were a 130% volatility rate, a 2 cent market value for the shares, a risk free interest rate of 5% and a term for the options of 4 years.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006 \$	2005 \$	2006 \$	2005 \$
15. RESERVES				
Capital Profits Reserve	909,907	909,907	909,907	909,907
General Reserve	120,537	120,537	120,537	120,537
Options Reserve (refer Note 14(c))	340,000	-	340,000	-
	<u>1,370,444</u>	<u>1,030,444</u>	<u>1,370,444</u>	<u>1,030,444</u>

16. INTEREST IN JOINT VENTURE OPERATION

Jervois Mining Limited has a 20% interest in the assets, liabilities and output of the Forest Reefs Joint Venture for the operation, development and mining of gold deposits in New South Wales.

Net assets employed in the joint venture are included in the financial statement as follows:

Deferred Exploration Expenditure	50,000	400,000	50,000	400,000
Net Assets	<u>50,000</u>	<u>400,000</u>	<u>50,000</u>	<u>400,000</u>

17. KEY MANAGEMENT PERSONNEL COMPENSATIONS

(a) Names and Positions held of economic and parent entity Key management personnel in office at any time during the financial year

Mr D Pursell (Managing Director and Chairman)
 Mr A Jannink (Executive Director)
 Mr R Fairlam (Executive Director) (resigned 21 July 2006)
 Mr G Higgins (Non-executive Director)
 Mr G Screen (Non-Executive Director) (resigned 15 July 2005)
 Ms M Leydin (Company Secretary and Executive Director) (appointed director 21 July 2006)
 Mr D Foster (Mine Manger)

(b) Compensation Practices

REMUNERATION REPORT

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration as considered appropriate.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

(b) Compensation Practices (continued)

Non-Executive Director Remuneration

Non-executive directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act at the time of the Directors retirement or termination. Non-Executive Directors remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the amount of director fees being paid by comparable companies with similar responsibilities and the experience of the non-executive directors when undertaking the annual review process.

The current maximum amount of fees payable to Non-executive directors is fixed at \$250,000 in total, for each 12 month period commencing 1 July each year, until varied by ordinary resolution of shareholders.

(c) Details of Remuneration for Year Ended 30 June 2006

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Note	Salary, Fees and Commissions	Superannuation Contribution	Non-cash Benefits	Options	Total
		\$	\$	\$	\$	\$
Directors						
Mr D Pursell	(i)	100,000	-	-	-	100,000
Mr A Jannink	(ii)	100,000	-	-	-	100,000
Mr R Fairlam	(iii)	36,515	-	-	-	36,515
Mr G Higgins	(iv)	12,000	-	-	-	12,000
Mr G Screen	(v)	6,000	-	-	-	6,000
		254,515	-	-	-	254,515

Specified Executives

Ms M Leydin	(vi)	31,438	-	-	-	31,438
Mr D Foster	(vii)	90,000	-	-	-	90,000
		121,438	-	-	-	121,438

- (i) Fees paid to Wilmaka Pty Ltd of which Mr Pursell is a director
- (ii) Fees paid to Douglas McKenna & Partners of which Mr Jannink is a director
- (iii) Fees paid to Sujil Pty Ltd of which Mr Fairlam is a director
- (iv) Fees paid to TressCox of which Mr Higgins is a principal
- (v) Fees paid to Maximusic Pty Ltd and Winemax Pty Ltd of which Mr Screen is a director.
- (vi) Fees paid to Leydin Freyer Corporate of which Ms Leydin is a director.
- (vii) Fees paid to Derek Foster & Associates Pty Ltd of which Mr Foster is a director.

(d) Options Issued as Part of Remuneration for the Year Ended 30 June 2006

There were no options issued as part of remuneration during the year.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

(e) Details of Remuneration for Year Ended 30 June 2005

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Note	Salary, Fees and Commissions	Superannuation Contribution	Non-cash Benefits	Options	Total
		\$	\$	\$	\$	\$
Directors						
Mr D Pursell	(i)	100,000	-	-	-	100,000
Mr A Jannink	(ii)	100,000	-	-	-	100,000
Mr R Fairlam	(iii)	20,000	-	-	-	20,000
Mr G Higgins	(iv)	12,000	-	-	-	12,000
Mr G Screen	(v)	12,000	-	-	-	12,000
		244,000	-	-	-	244,000

Specified Executives

Ms M Leydin	(vi)	24,676	-	-	-	24,676
Mr D Foster	(vii)	96,000	-	-	-	96,000
		120,676	-	-	-	120,676

- (i) Fees paid to Wilmaka Pty Ltd of which Mr Pursell is a director
- (ii) Fees paid to Douglas McKenna & Partners of which Mr Jannink is a director
- (iii) Fees paid to Sujil Pty Ltd of which Mr Fairlam is a director
- (iv) Fees paid to TressCox of which Mr Higgins is a principal
- (v) Fees paid to Maximusic Pty Ltd and Winemax Pty Ltd of which Mr Screen is a director.
- (vi) Fees paid to Leydin Freyer Corporate of which Ms Leydin is a director.
- (vii) Fees paid to Derek Foster & Associates Pty Ltd of which Mr Foster is a director.

(f) Options Issued as Part of Remuneration for the Year Ended 30 June 2005

There were no options issued as part of remuneration during the year.

(g) Shareholdings by Key Management Personnel

	Balance 1/7/05	Granted as compensation	Net change other ⁽ⁱ⁾	Balance 30/06/06
Mr D Pursell	38,822,661	-	309,500	39,132,161
Mr A Jannink	14,648,676	-	990,000	15,638,676
Mr R Fairlam	1,863,876	-	(808,334)	1,055,542
Mr G Higgins	-	-	-	-
Mr G Screen	-	-	-	-
Ms M Leydin	200,000	-	-	200,000
Mr D Foster	-	-	-	-
	55,535,213	-	491,166	56,026,379

- (i) Net change other refers to shares purchased or disposed of during the year

(h) Option holdings by Key Management Personnel

There were no options held by key management during the year.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

18. RELATED PARTY DISCLOSURES

(a) Directors:

The names of persons holding the position of Director of the Company during the year ended 30th June 2006:

Director	Position
Duncan Pursell	Chairman, Managing Director
Anthony Jannink	Executive Director
Roger Fairlam ⁽²⁾	Executive Director, Company Secretary
Garrick Higgins	Non-Executive Director
Greg Screen ⁽¹⁾	Non-Executive Director

(1): Mr Screen resigned as a Director on 15 July 2005

(2): Mr Fairlam resigned as a Director on 21 July 2006

(b) Ownership interest in related party:

Interests held in a controlled entity are set out in Note 21 to the accounts.

(c) Director Transactions

Loans:

During the year the Directors did not provide any loans to Jervois Mining Limited.

Director-related entity transactions:

Director's remuneration received via Director related entities is included in the Remuneration Report in the Directors Report.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Tress Cox Lawyers, an entity associated with Mr G.R. Higgins acted on behalf of the Company in relation to a number of legal matters. During the year Jervois Mining Limited paid \$27,985 (2005: \$5,943) in legal fees to Tress Cox.

(d) Directors transactions as shareholders

Number of shares held by Parent Entity Directors and Director related entities

	Balance as at 1/7/05	Acquired	Disposed	Balance as at 30/6/06
Duncan Pursell	38,822,661	309,500	-	39,132,161
Anthony Jannink	14,648,676	990,000	-	15,638,676
Roger Fairlam ⁽²⁾	1,863,876	-	808,334	1,055,542
Garrick Higgins	-	-	-	-
Greg Screen ⁽¹⁾	-	-	-	-
	55,335,213	1,299,500	808,334	55,826,379

(1): Mr Screen resigned as a Director on 15 July 2005

(2): Mr Fairlam resigned as a Director on 21 July 2006

Number of options held by Parent Entity Directors and Director related entities

There were no options held by directors during the financial year.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

19. CASH

For the purpose of the Statements of Cash Flows, cash includes cash on hand and in at call deposits with banks or financial institutions, net of bank overdrafts, and investments in money market instruments with less than 14 days to maturity.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash on hand and at bank	<u>241,251</u>	<u>3,101,603</u>	<u>241,251</u>	<u>3,101,603</u>

20. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

Net cash outflow from operating activities	(2,138,320)	(1,310,565)	(2,138,320)	(1,310,565)
Depreciation	(124,359)	(20,551)	(124,359)	(20,551)
Write off exploration expenditure	(384,116)	(739,305)	(384,116)	(655,068)
Loss on sale of mining tenement	-	(767,161)	-	(767,161)
Research & Development written off	-	(180,000)	-	(180,000)
Restoration expense	(7,600)	-	(7,600)	-
Changes in operating assets and liabilities:				
(Decrease)/Increase in current receivables	94,632	(32,948)	94,632	(32,948)
(Decrease)/Increase in inventory	(537,291)	76,424	(537,291)	76,424
Decrease/(Increase) in current liabilities	<u>(166,954)</u>	<u>(36,060)</u>	<u>(166,954)</u>	<u>(36,060)</u>
Operating loss after income tax	<u>(3,264,008)</u>	<u>(3,010,166)</u>	<u>(3,264,008)</u>	<u>(2,925,929)</u>

21. INVESTMENTS

	Country of Incorporation	Carrying Value of Parent Entity's Investment	Carrying Value of Parent Entity's Investment	Contribution to Consolidated Loss	Contribution to Consolidated Loss
		2006	2005	2006	2005
		\$	\$	\$	\$
Parent Entity					
Jervois Mining Limited	Australia			3,264,008	2,925,929
Controlled Entity					
Hardrock Exploration Pty Ltd	Australia	-	-	-	84,236
		<u>-</u>	<u>-</u>	<u>3,264,008</u>	<u>3,010,166</u>

Jervois Mining Limited is the ultimate parent entity. The investment in the controlled entity comprises ordinary shares and all shares held as at 30 June 2006 are unquoted. The controlled entity is 100% owned at the end of the current financial year.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

	2006	2005
22. EARNINGS/(LOSS) PER SHARE		
Basic earnings/(loss) per share (cents per share)	(0.34)	(0.42)
Diluted earnings/(loss) per share (cents per share)	(0.34)	N/A
Earnings used in the calculation of earnings per share (dollars)	(3,264,008)	(3,055,666)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic (loss) per share	970,576,001	734,059,466
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	1,012,082,850	N/A

Diluted Earnings Per Share

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the exercise price was significantly higher than the Company's share price as at 30 June 2006.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
23. AUDITORS' REMUNERATION				
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Audit and review of the financial statements	14,500	14,000	14,500	14,000
Other services	-	-	-	-
	14,500	14,000	14,500	14,000

24. COMMITMENTS FOR EXPENDITURE

Exploration Tenements – Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rates and rentals and to meet the minimum expenditure requirements of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided for in the accounts and are payable:

Not later than one year	528,080	546,800	528,080	546,800
Later than one year but not later than five	400,440	342,000	400,440	342,000
Later than five years	-	-	-	-
	928,520	888,800	928,520	888,800

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN : 52 007 626 575

25. FINANCIAL INSTRUMENT DISCLOSURES

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2006	2005	1 year or less	1 to 5 years	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
(i) Financial assets												
Cash	241,251	3,065,603	-	-	-	-	-	36,000	241,251	3,101,603	4.0	3.0
Receivables	-	-	-	-	146,127	51,495	-	146,127	146,127	51,495	-	-
Security deposits	-	-	687,759	673,000	-	-	20,000	-	707,759	673,000	5.5	4.0
Total Financial assets	241,251	3,065,603	687,759	673,000	-	-	166,127	87,495	1,095,137	3,826,098		

(ii) Financial liabilities

Accounts payable	-	-	-	-	-	-	561,246	394,293	561,246	394,293	-	-
Total financial liabilities	-	-	-	-	-	-	561,246	394,293	561,246	394,293		

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security in respect of recognised financial assets, is the carrying amount as disclosed in the balance sheets and notes to the financial statements.

(c) Net Fair Values

The net fair values of the financial assets and financial liabilities approximate their carrying values.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheets and in the notes to and forming part of the financial statements.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

26. SEGMENT INFORMATION

(a) Industry Segments

The economic entity has the following two business segments:

Mining is the primary business segment and the Company is also involved in the exploration of mineral deposits throughout Australia.

The entity also provided funding to a third party for the provision of research and development activities relating to mineral development

	MINING		RESEARCH & DEVELOPMENT		CONSOLIDATED	
	2006	2005	2006	2005	2006	2005
Revenue						
External Sales	658,239	1,377,560	-	-	658,239	1,377,560
Result						
Segment Result	(3,264,008)	(2,830,166)	-	(180,000)	(3,264,008)	(3,010,166)
Assets						
Segment Assets	4,800,039	6,578,119	-	-	4,800,039	6,578,119
Liabilities						
Segment Liabilities	811,246	644,293	-	-	811,246	644,293
Acquisition of Segment Assets	1,666,248	264,822	-	-	1,666,248	264,822
Depreciation Segment Assets	124,359	20,551	-	-	124,359	20,551

(b) Geographical Segments

The consolidated entity's mining operations are located in Australia.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2006 \$	2005 \$	2006 \$	2005 \$
27. CONTINGENT LIABILITIES				
The parent entity is currently defending two outstanding litigation claims brought against the parent entity by former creditors of the Bullabulling Joint Venture operation. The parent entity has received legal advice that it has strong cases and should be able to successfully defend these matters. The amount disclosed is based on legal advice and represents the potential financial amount that the parent entity may be liable for.				
	<u>75,000</u>	<u>58,000</u>	<u>75,000</u>	<u>58,000</u>

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

DIRECTORS' DECLARATION

The Directors of the Company declare that:

the financial statements and notes as set out on pages 13 to 35

- (i) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (ii) give a true and fair view of the financial position at 30th June 2006 and performance for the year ended on that date of the Company and economic entity as represented by the results of their operations and their cash flows for the financial year ended on that date.

The Chief Executive Officer and Chief Finance Officer have each declared that:

- (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
- (c) the financial statements and notes for the financial year give a true and fair view.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



D.C. PURSELL, Director

Melbourne 28 September 2006

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

IAN D RILEY

Chartered Accountant

ABN 86 673 257 016

3 Raglan Street South Melbourne Vic 3205

**INDEPENDENT AUDIT REPORT TO MEMBERS OF
JERVOIS MINING LIMITED**

Scope

I have audited the financial report of Jervois Mining Limited and controlled entity for the financial year ended 30 June 2006 comprising the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration.

The directors of the company are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with my understanding of the Company's financial position and performance as represented by the results of their operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Jervois Mining Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005, and of their performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

Without qualification to the opinion expressed above, attention is drawn to the following matters.

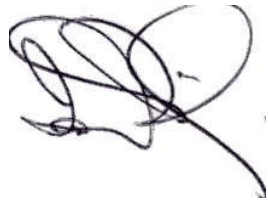
Inherent uncertainty regarding continuation as a Going Concern

As disclosed in note 1(i) to the financial report the financial report has been prepared on a going concern basis. The ability of the Company to continue as a going concern is dependent on it continuing to secure sufficient funding from capital raisings to fund its ongoing activities.

If the above capital raisings are not forthcoming and the Company is unable to continue as a going concern, it may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that may be different to those stated in the financial report

Inherent uncertainty regarding Deferred Expenditure

As disclosed in notes 1(xiii) and 10 to the financial report, in accordance with the group's accounting policy, deferred exploration expenditure, \$2,610,616, has been included in the financial report in respect of areas in exploration, evaluation and development phases. The ultimate recovery of the group's deferred expenditure is dependent on successful development and commercial exploitation or alternatively, the sale of the respective areas of interest.



Ian D Riley
Chartered Accountant
Melbourne, 28 September 2006

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

ANALYSIS OF MEMBERS' SHARE HOLDINGS

At 30th August 2006 there were 1,103,221,448 ordinary fully paid shares.

There were 3,321 holders of ordinary shares.

Range of Holding	No. of Shareholders	Percent of Issued Capital
1-1,000	69	0.00
1,001-5,000	296	0.09
5,001-10,000	204	0.16
10,001-100,000	1,295	6.20
100,000 and over	1,457	93.55
	3,321	100.00
Number of shareholders with less than a marketable parcel	1,127	

Substantial Shareholders There are no substantial shareholders as at 30 August 2006

20 Largest Holders of Ordinary Shares

Name	Number of Shares	Percent of Issued Capital
B A Grooby	25,000,000	2.27
ANZ Nominees Limited	21,421,388	1.93
Penleigh Banner Pty Ltd	20,000,000	1.81
JK & MJ Grant	18,000,000	1.63
DC Pursell	15,681,833	1.42
CS Mayberry	14,867,735	1.35
Windsurf Pty Ltd	13,462,780	1.22
JK Demaria Pty Ltd	9,879,718	0.90
WPC Duyvesteyn	9,439,460	0.86
A Jannink	8,663,333	0.79
Wilmaka Pty Ltd	8,305,211	0.75
Boulevade Investments Pty Ltd	8,039,424	0.73
Sanlirra Pty Ltd	8,000,000	0.73
JD and MJ Blore	7,750,000	0.70
Douglas McKenna & Part. Pty Ltd - Superfund	7,236,342	0.66
HB Pursell	7,017,800	0.64
R Nairn	7,000,000	0.63
J Kahlbetzer	6,400,000	0.58
M Kertsch	6,313,620	0.57
First NZ Capital Custodians Limited	6,069,694	0.55
	228,368,338	20.72

Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share

JERVOIS MINING LIMITED AND CONTROLLED ENTITY
ABN :52 007 626 575

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place since the last quarter of the 2006 financial year. These Corporate Governance practices comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

ROLE OF THE BOARD

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfil this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals.

Because of the limited size of the Company and its financial affairs and operations, the use of separate remuneration and audit committees of the Board of Directors is not considered generally appropriate. All matters that might properly be dealt with by such committees are currently dealt with by the full Board of Directors. Decisions of the Board are, to the extent practicable, unanimous. There were no occasions during the year when decisions were not unanimous.

The company acknowledges that the ASX guidelines for corporate governance require that the Chairman be an independent non executive director, and that at any rate the Chairman and Managing Director roles should not be performed by the same person. Because of the limited size and nature of the Company's activities, this is not considered to be practical or appropriate at the current time. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to best practice guidelines.

The Board operates in accordance with the broad principles set out in its charter, which is available from the Corporate Governance section of the company's website at www.jervoismining.com.au

COMPOSITION OF THE BOARD

The names and details of the Directors of the Company in office at the date of this Statement are set out in the Director's Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.
- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and program, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company.
- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.
- The Company considers that the Board should have at least three Directors (minimum required under the Company's Constitution) and strives to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has three Directors, of which only one is independent. The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

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PERFORMANCE OF DIRECTORS AND MANAGING DIRECTOR

The performance of all Directors, the Board as a whole and the Managing Director is reviewed at least annually in accordance with the Company's Corporate Governance guidelines.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Directors related entity transactions with the Company and Consolidated Entity are set out in the related parties note in the financial statements.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

REMUNERATION

The Company's ASX Principles of Good Corporate Governance as adopted is to Remunerate Fairly and Responsibly and part of the remuneration is to be incentive based as considered appropriate by the Board. The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
- demonstrates a clear relationship between key executive performance and remuneration.

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. The Board has adopted the following policies of Directors and executives remuneration:

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period is included in the remuneration report, which is contained within the Report of the Directors.

COMPANY WEBSITE

Jervois Mining Limited has made available details of all its Corporate Governance principles, which can be found in the Corporate Governance information section of the Company website at www.jervoismining.com.au