Jindalee Resources Ltd
ABN 52 064 121 133
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18 Kings Park Road
West Perth WA 6005
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JINDALEE

16 October 2006

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Via electronic lodgement

2006 ANNUAL REPORT

Jindalee Resources Limited is pleased to provide its 2006 Annual Report as attached.

The Annual Report will be available on the Company's website and will be despatched to shareholders on 18th October 2006 together with the Notice of Annual General Meeting and proxy form.

Lindsay Dudfield

LINDSAY DUDFIELD
Executive Director.

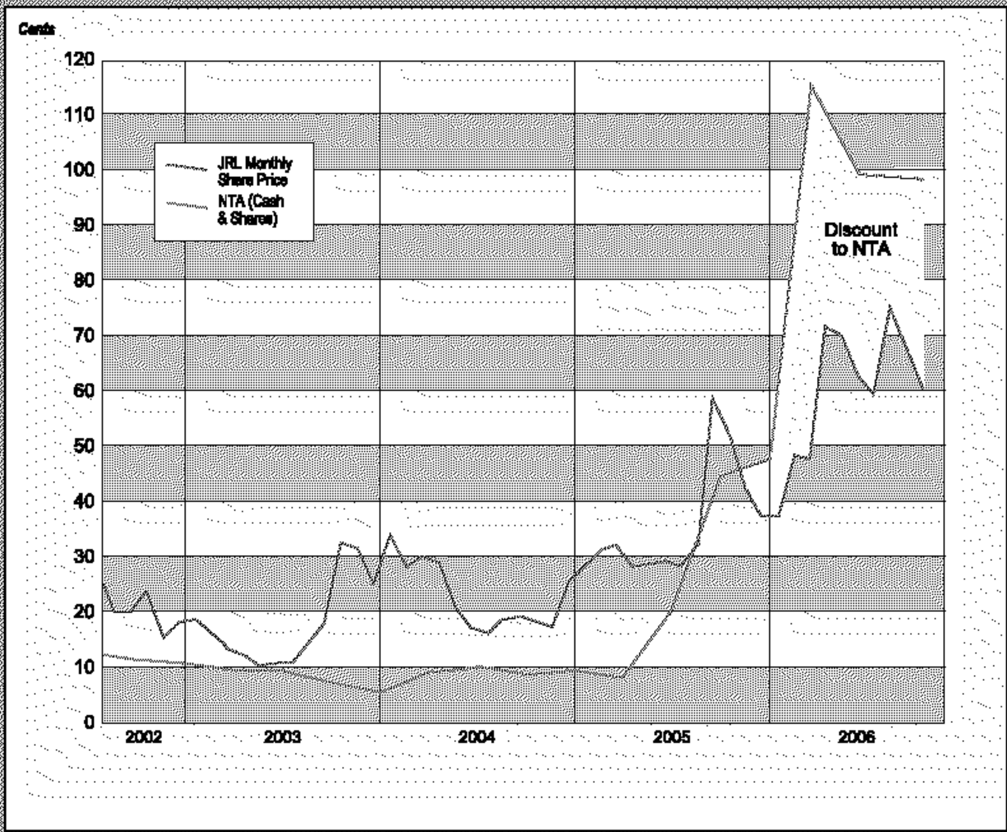
JINDALEE RESOURCES LIMITED

A.B.N. 52 064 121 133

JINDALEE

Resources Limited

ANNUAL REPORT 2006



Jindalee Share Price vs Net Tangible Assets (NTA)

- One of the best value entries into the high risk exploration sector [1]
- Experienced, successful management [2]
- Tight capital structure = great leverage [3]

1. Liquid assets (cash and shares) at 25 September 2006 were $29.6M (equivalent to $0.99 per share), with no value attributed to the Company's high quality exploration projects
2. Jindalee's Board combines more than 65 years of geological experience with strong commercial skills
3. Only 29.8M shares & 3.3M options on issue

CORPORATE DETAILS

DIRECTORS

Donald Ross Kennedy
(Chairman)

Lindsay George Dudfield
(Managing Director)

Mark Richard Scott
(Non-Executive Director)

COMPANY SECRETARY

Ross Gregory Ledger

REGISTERED OFFICE

Level 2
18 Kings Park Road
WEST PERTH WA 6005
Telephone: 61 8 9321 7550
Facsimile: 61 8 9321 7950
Email: enquiry@jindalee.net
Web: www.jindalee.net

AUDITOR

Horwath Audit (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

SHARE REGISTRY

Advanced Share Registry
110 Stirling Highway
NEDLANDS WA 6009
Telephone: 61 8 9389 8033
Facsimile: 61 8 9389 7871

BANKERS

National Australia Bank Limited
50 St Georges Terrace
PERTH WA 6000

STOCK EXCHANGE LISTING

The Company's shares are listed by the Australian Stock Exchange Limited - Code **JRL**.
The home exchange is Perth.

CONTENTS

Dear Fellow Shareholder

The 2005/06 financial year saw the Company continue to build on the base established over previous years. Our market capitalisation increased from $8.23M to $17.36M, reflecting an increase in the Jindalee share price from 28c to 59c (up 210%) during the period. Furthermore Jindalee shareholders who took up their priority entitlement to subscribe for shares in our uranium spin-out Energy Metals Limited prior to Energy Metals listing on ASX in September 2005 have enjoyed excellent returns from this investment.

Whilst pleased with recent progress your Directors are concerned that the Company continues to trade at a discount to the value of our assets. This is an unacceptable situation and management is investigating ways to ensure that the Jindalee share price not only reflects the value of the net tangible assets (NTA) held by the Company but also includes the significant value attached to the exploration portfolio.

Jindalee's core business of identifying and acquiring mineral projects with the potential to add value continued during the period. Our portfolio of gold and nickel properties is being advanced, both through direct exploration and via the efforts of joint venture partners, and management is continuing to seek out new opportunities to grow the Company and further increase shareholder wealth.

Jindalee has a tight capital structure, a strong balance sheet and is well positioned to continue to build on recent success. The coming period promises to be an exciting time for shareholders.

D. Ross Kennedy
Chairman

9 October 2006

Since Jindalee listed in July 2002 our primary objective has been, and continues to be, to create wealth for our shareholders. Our strategy is simple – we identify and acquire prospective ground, add value through initial exploration activity to bring the project to decision point and, where appropriate, either:

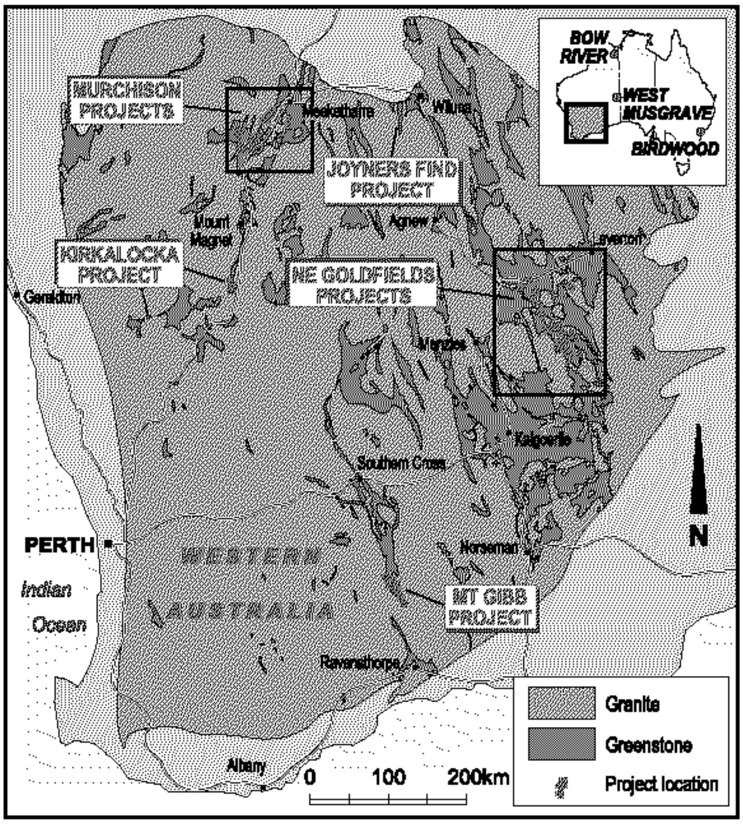
(a) continue exploration on a 100% basis,

(b) introduce partners to fund the higher risk and/or expensive stages of exploration, or

(c) fund further exploration via a dedicated company in which Jindalee retains a significant interest (and Jindalee shareholders have the opportunity to invest directly)

This latter option is well illustrated by Jindalee's divestment of former subsidiary Energy Metals as a self-funded uranium explorer, with Jindalee shareholders given priority to apply for Energy Metals shares ahead of the public.

Jindalee has a strong and diverse portfolio of projects with potential for gold, nickel and iron ore, as well as providing shareholders with indirect exposure to uranium through our 39% interest in Energy Metals. Several of these projects are being explored by third parties, at no cost to the Company.



WESTERN AUSTRALIA: PROJECT LOCATIONS

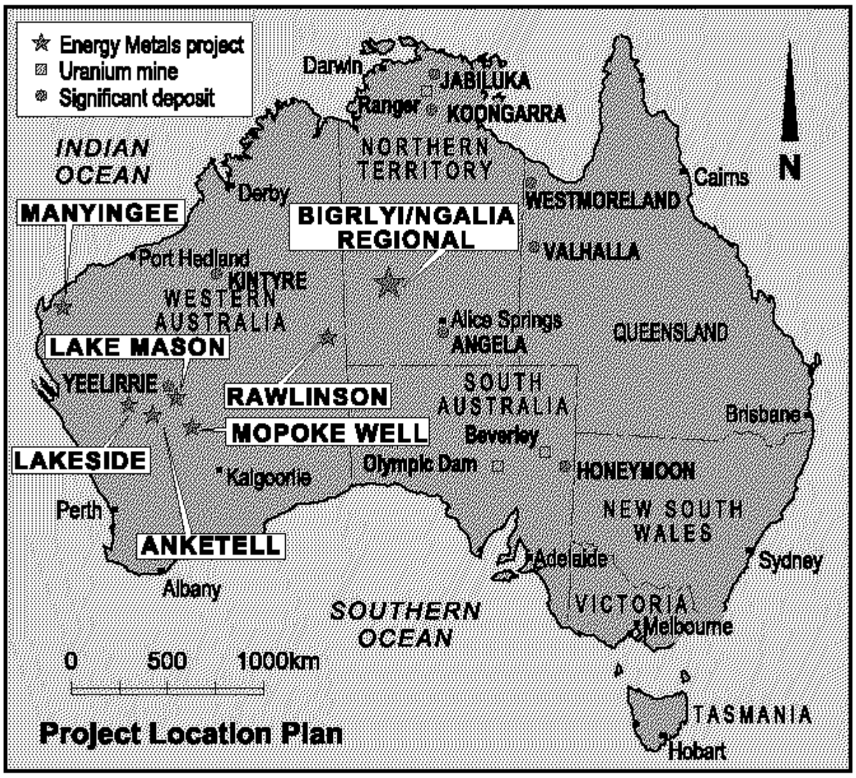
Additionally Jindalee holds cash and shares worth approximately $30 million, placing the Company in a strong position, both to advance our portfolio of projects and to assess new opportunities to create wealth for shareholders. Importantly, Jindalee's relatively tight capital structure (only 29.8 million shares on issue) provides shareholders with great leverage should the Company's initiatives prove successful.

URANIUM

Energy Metals Limited (Jindalee 40% of issued capital)

Jindalee holds 10 million Energy Metals shares and 5 million Energy Metals options (currently worth >$25M), providing our shareholders with indirect exposure to uranium through this investment. The increase in the Jindalee share price over the past 12 months has been largely driven by the substantial increase in the value of our investments, and in particular our interest in Energy Metals. Jindalee will continue to provide management assistance to Energy Metals to ensure that our investment in this company performs well.

Energy Metals controls 8 projects (total area >4,000 km^2) located in the Ngalia Basin in the Northern Territory and in Western Australia, with 6 of the projects containing uranium mineralisation discovered in the 1970's. Initial exploration has focussed on the Bigrlyi Project in NT (53.3% owned by Energy Metals) where previous drilling returned relatively high grade intercepts with excellent metallurgical recoveries. The uranium mineralisation at Bigrlyi is accompanied by economically significant levels of vanadium.



Energy Metals undertook re-sampling of historic drill core, with uranium and vanadium assays from this work comparing favourably with previous assay data. These results were compiled to create a digital model of the Bigrlyi deposits. Resources calculated by independent consultants Hellman and Schofield, including the first vanadium resources for Bigrlyi, are summarised below:

Indicated and Inferred Resources

Cut Off (%)	Tonnes	U_3O_8 (%)	V_2O_5 (%)	U_3O_8 (Kt)	V_2O_5 (Kt)
0.20	655,000	0.33	0.28	2.15	1.80
0.15	1,067,000	0.27	0.25	2.86	2.71
0.10	**1,835,000**	**0.21**	**0.22**	**3.80**	**3.99**
0.05	3,763,000	0.14	0.17	5.6	6.3

Energy Metals considers the results for a 0.10% (1kg/t) lower cut-off grade best represent the economic cut-off grade considering the style (sandstone hosted) and location of the resources. However as most of the resources lie within 100m of the surface and are potentially accessible via open-pit mining it may be appropriate to use a lower cut-off grade in the future. Energy Metals notes that at the 0.1% cut-off **the resource at Bigrlyi is equivalent to a 0.86M ounce gold deposit grading 14.6 g/t** (using prices of $US 53.25/lb for uranium, $US 8/lb for vanadium and $US 600/oz for gold).

A program of extensional RC and diamond drilling designed to increase the resource base at Bigrlyi is scheduled to commence in October 2006.

Energy Metals also reported encouraging results from broad spaced drilling at the Lake Mason project, with anomalous uranium values noted from all drill traverses completed at Lake Mason. This work is the first of a number of drilling programs designed to follow up calcrete hosted uranium mineralisation at four 100% Energy Metals owned projects located in WA.

GOLD

Jindalee holds large land positions in both the Eastern Goldfields and the Murchison districts of Western Australia. Both districts have proven gold endowment and host significant (>2M ounce) gold deposits. Jindalee believes that there is still excellent potential for discovering large gold deposits in these areas, particularly where major structures are buried by recent transported sediments.

However gold exploration in covered terranes is both high cost and high risk, and the Company has sought partners to help advance several projects. Newcrest Mining, Australia's largest gold company, is earning an interest in the Yilgangi project, exploration at the Kirkalocka project is being funded by Equigold and Golden West Resources is exploring for both gold and iron ore at Joyners Find. In all of these joint ventures Jindalee has a number of options available, including contributing to retain equity, or diluting to either free carried or project carried positions.

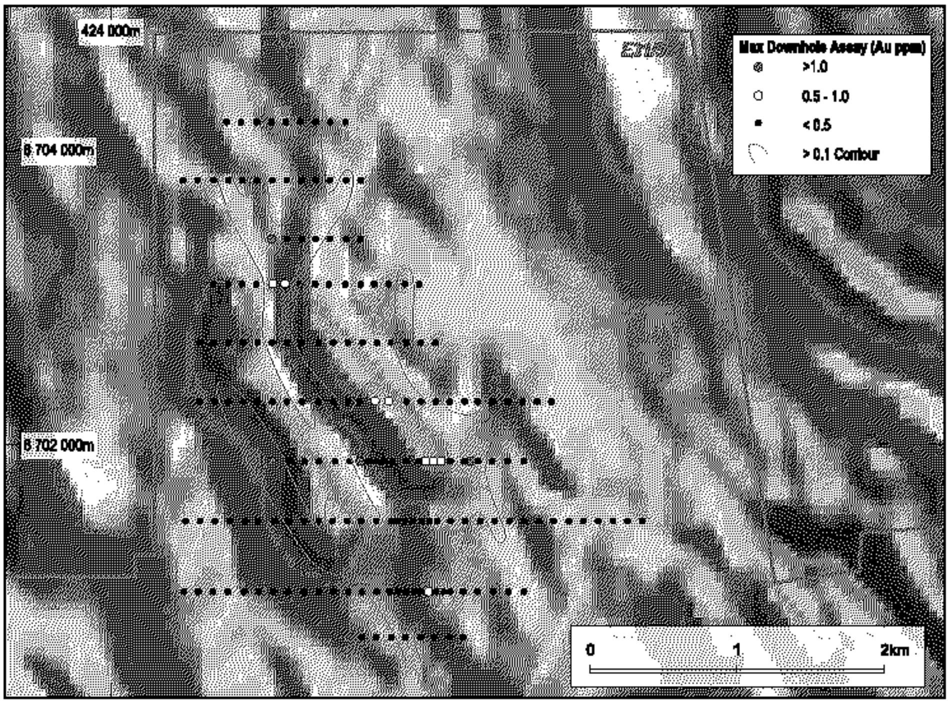
Yilgangi (Newcrest earning 70%)

The Yilgangi project is located 120 km northeast of Kalgoorlie and a similar distance southeast of Leonora. Newcrest can earn a 70% interest in the project by spending $0.75M on exploration by March 2008.

Initial broad spaced aircore drilling undertaken in the previous period recorded weakly anomalous gold values from magnetite and hematite altered sediments, volcanoclastics and porphyries. Follow up drilling (150 vertical holes for 7,608 metres) undertaken by Newcrest in the 2005/06 period confirmed previous results as well as extending mineralisation both north and south along strike. The gold anomaly defined by the drilling has a strike length in excess of 3,500m with several intercepts located at ends of traverses.

Some of the better intercepts from recent aircore drilling are summarised below:

Hole ID	N	E	Depth (m)	Significant 4m Composite intervals >100ppb Au	1m Resamples >0.1g/t Au
NYAC128	6701900	425100	69	**4m @ 2600 ppb Au from 36m**	**1m @ 3.3 g/t Au from 37m**
NYAC137	6701100	426200	57	5m @ 180 ppb Au from 52m to EOH	1m @ 0.42 g/t Au from 53m
NYAC139	6701105	426000	60	3m @ 140 ppb Au from 56m	2m @ 0.21 g/t from 56m
NYAC153	6701895	425800	50	**1m @ 2380 ppb Au from 49m to EOH**	**1m @ 2.4 g/t Au from 49m to EOH**
NYAC154	6701900	425900	44	4m @ 180 ppb Au from 40m to EOH	4m @ 0.22 g/t Au from 40m
NYAC157	6701900	426200	47	**7m @ 360 ppb Au from 40m to EOH**	6m @ 0.27 g/t Au from 40m
NYAC175	6703410	425100	48	**8m @ 670 ppb Au from 16m**	**4m @ 1.3 g/t Au from 19m**
				incl. 4m @ 1200 ppb Au from 20m	
NYAC179	6704205	425300	59	4m @ 150 ppb Au from 44m	2m @ 0.32 g/t Au from 44m
NYAC190	6702300	426596	48	4m @119 ppb Au from 40m	5m @ 0.14g/t Au from 40m
NYAC194	6702306	426188	86	4m @ 108ppb Au from 64m	1m @ 0.64g/t Au from 65m
NYAC197	6702295	425892	62	6m @ 134 ppb Au from 56m to EOH	5m @ 0.2g/t Au from 57m to EOH
NYAC198	6702287	425790	62	4m @ 446 ppb Au from 52m	4m @ 0.43g/t Au from 52m
NYAC207	6701895	425952	41	1m @ 437 ppb Au from 40m to EOH	1m @ 0.43g/t Au from 40m to EOH*
NYAC208	6701892	426150	49	5m @ 343 ppb Au from 44m to EOH	5m @ 0.36g/t Au from 44m to EOH
NYAC209	6701901	426253	41	5m @ 508 ppb Au from 36m to EOH	5m @ 0.4g/t Au from 36m to EOH
NYAC211	**6701897**	**426442**	**50**	**6m @ 1635 ppb Au from 44m to EOH**	**6m @ 1.8g/t Au from 44m to EOH**
NYAC217	6701096	426150	54	10m @ 242ppb Au from 44m to EOH	9m @ 0.25g/t Au from 45m to EOH
NYAC218	6701097	426050	57	5m @ 157ppb Au from 52m to EOH	4m @ 0.2g/t Au from 53m to EOH
NYAC238	6702711	425201	75	3m @ 263ppb Au from 72m to EOH	3m @ 0.2g/t Au from 72m to EOH
NYAC265	425202	425202	52	4m @ 255 ppb Au from 48m to EOH	4m @ 0.33g/t Au from 48m to EOH
NYAC266	425103	425103	46	6m @ 401ppb Au from 40m to EOH	6m @ 0.36g/t Au from 40m to EOH



YILGAGI PROJECT
Newcrest Drilling Over Aeromagnetics

Newcrest advises that follow up drilling is scheduled for the December 2006 quarter.

Kirkalocka (Equigold earning 60%)

The Kirkalocka project is located in the Southern Murchison, approximately 80 km south of Mt Magnet and abutting Equigold NL's Kirkalocka gold mine. Equigold is earning a 60% interest in the project.

Exploration during the period comprised RAB drilling designed to test structural targets and gold-in-soil anomalies. The drilling intersected narrow Banded Iron Formation units within a basalt and ultramafic package. No significant results were obtained.

IRON ORE

Joyner's Find (Golden West earning 60%)

The Joyner's Find project is located 30 km west of Wiluna and covers the eastern part of the Joyner's Find greenstone belt. The project is a joint venture with Golden West Resources Limited. Golden West is exploring the project primarily for iron ore, although the area is also prospective for gold.

Geological mapping undertaken by Golden West identified two prospective iron rich zones referred to as Units B and C. The northern expression of Unit B within the Joyner's Find JV area generally consists of three narrow horizons of high-grade hematite that have been developed over a width of 100m. To the south Unit B occurs as three horizons of bedded hematite goethite style mineralisation (with occasional specular hematite noted) before becoming partly obscured by sand cover.

Unit C also trends through the Joyner's Find JV area and is approximately 200m wide. The eastern side of Unit C is largely unmineralised BIF that may be up to 100m wide. The western side in contrast is well mineralised containing bedded hematite (minor) goethite mineralisation up to 50m in width. Unit C becomes poorly exposed to the south but can be tracked under sand cover with aeromagnetics.

Two lines of RC drill holes (10 holes for 795m) were completed during the period. The holes were drilled on previously cleared lines 7029320N and 7030100N and were designed to test the western side of Unit C, with significant intercepts summarised below:

Hole ID	N	E	Dip	From	Intercept (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
WWRC113	7029320	792420	-60	0	7	54.9	11.9	3.5	0.04	0.04
WWRC118	7030100	792420	-60	7	5	53.6	9.7	4.6	0.05	0.10
WWRC119	7030100	792380	-60	20	15	58.4	6.9	3.8	0.08	0.04
WWRC120	7030100	792352	-60	59	6	58.8	9.7	1.1	0.08	0.00

Note: Assays are based upon an average of 1m cone split samples analysed by Ultra Trace Laboratories in Perth using XRF.

The above mineralisation is of the bedded hematite goethite style and is considered to be encouraging in that the area drilled was selected because of ready access rather than the strength of the observed surface mineralisation.

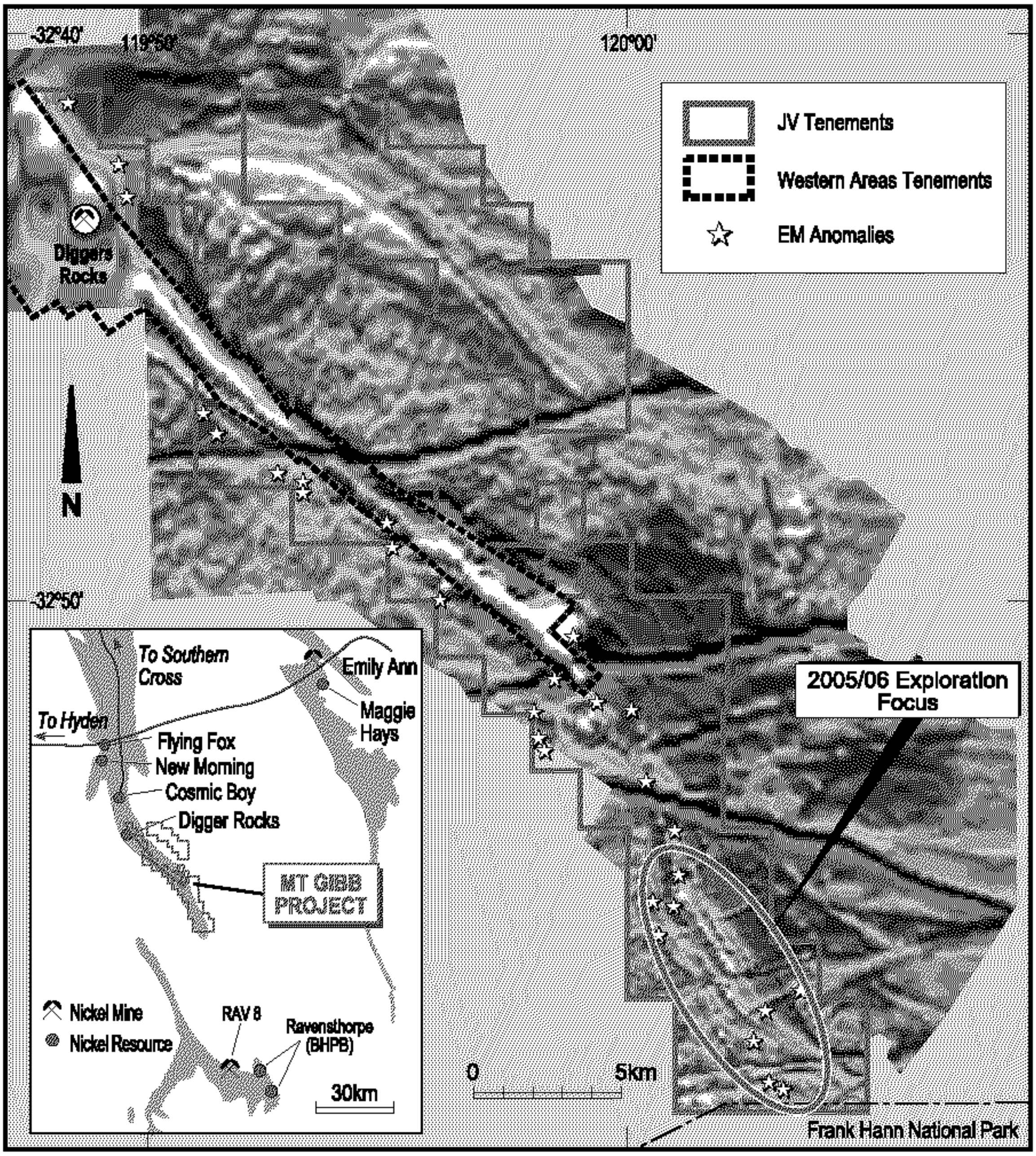
A systematic RC drilling program over a 10 km strike length of Unit B (including the JV tenements) is expected to commence late in the September 2006 quarter. This program is designed to outline sufficient reserves of high-grade direct shipping hematite ore to justify commencement of mining at Joyner's Find. Golden West then plans to use the cash flow generated from export of the hematite ore to develop a much larger mining operation based on lower grade iron ore.

Jindalee is well placed to benefit from the considerable potential at Joyner's Find should Golden West's plans to develop the project prove successful.

NICKEL

Mt Gibb (Jindalee 20% free carried)

The Mt Gibb project is a Joint Venture with Uran Limited (formerly Great Western Exploration Limited) with Jindalee's 20% interest free carried to completion of a bankable feasibility study. The project is located at the southern end of the Forrestania greenstone belt, approximately 190 km southeast of Southern Cross and along strike from Western Areas' Flying Fox nickel mine and the Digger Rocks nickel deposit.



MT GIBB PROJECT
Tenement & EM Anomalies Over Aeromagnetics

Work completed at Mt Gibb last year confirmed that the Forrestania greenstone belt continues south under windblown sand cover for at least 8 km further south than previously recognised. Furthermore drill testing of airborne electromagnetic (AEM) anomalies intersected massive sulphides (albeit with low nickel values) at the Anomaly 22 prospect.

Exploration during the 2005/06 financial year focused on following up four AEM anomalies located in the previously inaccessible southern part of the project area, in the process extending the prospective greenstone stratigraphy a further 4 km to the south.

Following flora surveys and track clearing, weaker AEM anomalies and aeromagnetic targets within favourable stratigraphy were investigated with RAB drilling (146 holes for 5,207m). Apart from gathering geological and geochemical information on areas under cover the drilling intersected anomalous nickel and gold values, with the best results from 1m re-sampling of 5 metre composite samples summarised in the following table:

HOLE	INTERVAL	INTERCEPT
GSR-31	30-44m	14m @ 0.30% Ni
incl.	*38-40m*	*4m @ 0.38% Ni*
GSR-44	38-40m	2m @ 0.32% Ni
GSR-68	32-36m	4m @ 0.42% Ni
incl.	*32-33m*	*1m @ 0.57% Ni*
GSR-62	6-10m	4m @ 4.64 g/t Au
incl.	*9-10m*	*1m @ 11.12 g/t Au*

The anomalous nickel values occur within the saprolite zone with no clear indication that the protolith is ultramafic. In holes GSR30 & 31 (14m @ 0.30% Ni) the mineralisation occurs above, and coincident with, a brown chert. The gold intercept from GSR62 (4m @ 4.64 g/t Au) was within coarse-grained amphibolite concealed beneath wind blown sand cover. Further grid RAB drilling (67 holes for 1,735m) was completed in the December 2005 quarter to follow-up hole GSR-62, but did not intersect any further significant gold mineralisation along strike.

Moving Loop electromagnetic (MLEM) surveys were completed over a 3.5km strike length of nickel anomalous greenstone (as determined from RAB drilling) located at the southern end of the property. The survey identified a further 12 bedrock conductors, with four of these conductors identified as having potential for nickel sulphide mineralisation based on the discrete nature of the anomalies and/or co-incident anomalous RAB nickel values. Fixed Loop EM (FLEM) surveys were completed over these four areas early in 2006, prior to follow up RC drilling.

Five angled RC holes (total 988m) were drilled in March 2006 to follow up these targets. Four holes (MGS-01, MGS-02, MGS-04 & MGS-05) were collared to test four bedrock EM conductors, selected because of their discrete nature and/or their close proximity to anomalous nickel intersections recorded from the earlier RAB drilling.

The drilling intersected a sequence of mafic amphibolites and metasediments intruded by pegmatites and granitic dykes. No ultramafic rocks were recorded. Disseminated pyrite and pyrrhotite (typically 1-2%, but ranging up to 7% in hole MGS-01) were noted around the target depth in most holes, although these levels of sulphides are unlikely to fully explain the EM responses. It is possible that a combination of disseminated sulphides and saline groundwater has contributed to the anomalous ground EM responses in the area. Assays from these four holes were only weakly anomalous with a maximum value of 851 ppm Ni recorded from hole MGS-04.

The remaining hole (MGS-03) was designed to intersect the down-dip extensions of shallow gold mineralisation recorded from RAB hole GSR-62 (4m @ 4.64 g/t Au from 6m). This hole also intersected mafic amphibolites and felsic intrusives and returned a maximum intercept of 1m @ 0.132 g/t Au and 0.74% Cu; an outcome not consistent with previous results.

Work undertaken over the last two field seasons has opened up this previously completely unexplored part of the Forrestania greenstone belt and demonstrated that the greenstone belt continues south under shallow transported sand cover for at least 12 km further than previously recognised. Whilst results to date have been limited to isolated high grade gold intercepts and nickel poor massive sulphides it should be noted that the Forrestania greenstone belt demonstrates substantial nickel (and gold) endowment along strike to the north and warrants a significant exploration effort.

Kilkenny (GME earning 70%)

The Kilkenny project is located approximately 45 km southeast of Leonora. GME Resources Limited is earning a 70% interest in the tenements by spending $0.5M by January 2009. The Kilkenny Joint Venture tenements abut GME's Kilkenny lateritic nickel resource (12 Mt @ 1.28% Ni). GME is exploring Jindalee's tenements for both lateritic and sulphide nickel mineralisation.

Exploration undertaken by GME during the period comprised five RC holes (total 232m). Three holes drilled north of the western ultramafic hit talc schist and no samples were submitted for assay. A further two holes were drilled to test aeromagnetic targets beneath alluvial cover. The first hole penetrated 8 metres of clays and recent cover before being terminated in mafic intrusives at a depth of 16 metres. The second hole intersected recent alluvial clay, sands and gravel (in places containing magnesite fragments), before being abandoned at 66 metres due to high water flows. No samples were submitted for analysis.

Access to the western Sirotem EM target was also prepared with drilling proposed for the forthcoming period, subject to a suitable drill rig being obtained.

Bow River (Jindalee 100%)

This project is located in the East Kimberley region, 80 km south of Kununurra and 60 km north along strike from the Sally Malay nickel mine. Previous drilling at Bow River intersected massive sulphides including 3.12m @ 1.45% Ni and 0.47% Cu in a differentiated mafic-ultramafic intrusion, similar to the host rock at the Sally Malay mine.

The grant of the main tenement covering the Bow River prospect had been held up as a result of objections from the Kimberley Land Council, representing the traditional aboriginal owners. During the period Jindalee successfully negotiated the withdrawal of the objection, with grant of the Bow River tenement now imminent.

West Musgraves (Jindalee 100%)

The West Musgraves project is located in Central Australia and has potential for the discovery of giant nickel-copper-PGE deposits similar to Noril'sk and Voiseys Bay. The area is covered by aboriginal reserves and as a result previous exploration on Jindalee's tenements has been minimal.

During the period Jindalee conducted a field visit with the traditional owners to check proposed drill targets on one of the West Musgraves tenements. Unfortunately drill testing of the most prospective targets was refused on cultural grounds and this tenement was subsequently relinquished. The Company is still negotiating access to the remaining tenement with the traditional owners.

NEW INITIATIVES

Management is continually assessing opportunities with the potential to grow the Company. A number of gold, base metal and energy projects were reviewed during the period but none passed our strict financial and technical requirements.

Over the coming period we will continue to introduce partners to help advance our portfolio whilst seeking out new opportunities with the potential to create significant value for Jindalee shareholders.

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Jindalee Resources Limited and the entities it controlled at the end of, or during the year ended 30 June 2006.

DIRECTORS

The following persons were directors of Jindalee Resources Limited during the whole of the financial year and up to the date of this report:

Lindsay George Dudfield
Mark Richard Scott
Donald Ross Kennedy

PRINCIPAL ACTIVITIES

The principal activity during the year of Jindalee Resources Limited was mineral exploration. During the year there was no change in the nature of this activity.

FINANCIAL RESULTS

The consolidated profit/(loss) of the Group after providing for income tax for the year ended 30 June 2006 was $938,246 (2005: loss $303,677).

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, and no dividends have been recommended by the Directors.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant change in the state of affairs of the Group during the year were as follows:

On 9 September 2005 the Company's interest in Energy Metals Limited was diluted when Energy Metals Limited listed on the Australian Stock Exchange. The gain on dilution of the investment of $2,492,589 is included in the Consolidated Income Statement for the year.

REVIEW OF OPERATIONS

Full details of the Group's exploration activities during the year are included within the Review of Activities section of the Annual Report.

FINANCIAL POSITION

The net assets of the Group have increased by $7,180,035 from $4,708,272 at 30 June 2005 to $11,888,307 at 30 June 2006.

The Directors believe the Group is in a strong financial position to continue its exploration endeavours.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are not aware of any developments that might have a significant effect on the operations of the Group in subsequent financial years not already disclosed in this report.

INFORMATION ON DIRECTORS

Name	Director's Experience	Special Responsibilities
Mr Donald Ross Kennedy BSc (Hons)	Mr Kennedy is a qualified geologist with 42 years experience in gold and base metals exploration, both in Australia and overseas. As Managing Director, then Exploration Director, of Resolute Limited he was the leader of one of the most successful exploration teams in Australia leading to the development of gold mines at Marymia, Chalice, Higginsville and Challenger in Australia and Nkran and Golden Pride in Africa. Fellow of the AusIMM and member of the AIG, GSA, MICA and AICD. Other directorships held by Mr Kennedy over the last three years are: Energy Metals Limited – current Uran Limited – current Vital Metals Limited - current Lach Drummond Resources Ltd (January 2004 – July 2004) Paladin Resources Ltd (December 2002 – March 2003)	Chairman Non-executive Director
Mr Lindsay George Dudfield BSc	Mr Dudfield is a qualified geologist with 26 years experience exploring for gold and base metals in Australia and overseas, including close involvement with a number of greenfields discoveries. Member of the AusIMM, SEG, AIG and GSA. Director for 10 years. Other directorships held by Mr Dudfield over the last three years are: Energy Metals Limited – current Horizon Global Limited (October 1994 – June 2005)	Managing Director
Mr Mark Richard Scott MSc, MCom (Hons)	Mr Scott has an investment banking and corporate finance background. Director for 6 years. Other directorships held by Mr Scott over the last three years are: Horizon Global Limited - current	Non-executive Director

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

The particulars of Directors' interest in shares and options in Jindalee Resources Limited as at the date of this report.

	Ordinary Shares	35¢ Options Expiring 30/06/07	30¢ Options Expiring 30/06/09
D R Kennedy	48,000	500,000	250,000
L G Dudfield	3,751,719	1,000,000	500,000
M R Scott	3,452,103	500,000	250,000

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2006 and the numbers of meetings attended by each Director.

	Number Held Whilst in Office	Number Attended
D R Kennedy	5	5
L G Dudfield	5	5
M R Scott	5	5

As at the date of this report, the Group did not have an Audit Committee of the Board of Directors. The Board considers that due to the Group's size, an Audit Committee's functions and responsibilities can be adequately and efficiently discharged by the Board as a whole, operating in accordance with the Group's mechanisms designed to ensure independent judgement in decision making.

COMPANY SECRETARY INFORMATION

Mr Greg Ledger was appointed Company Secretary on 4 April 2002 and has held that position, as well as other accounting and managerial roles since that date. Mr Ledger is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of Western Australia.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for directors receiving the highest remuneration.

Remuneration Policy (Audited)

The remuneration policy of the Group has been designed to align director and specified executive objectives with shareholder and business objectives. The Board of Jindalee Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members and specified executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and specified executives, was developed and approved by the Board. All executives receive either consulting fees or a salary, part of which maybe taken as superannuation, and from time to time, options under the Employee Share Option Plan. Options issued to directors are subject to approval by Shareholders. The Board reviews executive packages annually by reference to the company's performance, executives performance and comparable information from industry sectors and other listed companies in similar industries.

Salaried executive directors and specified executives allocate superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals have chosen to sacrifice their salary or consulting fees to increase payments towards superannuation.

All remuneration paid to directors and specified executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at commercial market rates for comparable companies for their time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. Non-executive directors' remuneration may also include an incentive portion consisting of options, subject to approval by Shareholders.

Remuneration Link to Company Performance (Audited)

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of shareholders' value.

The following table shows the share price and the market capitalisation of the Group at the end of each of the last four financial years. No dividends have been paid during that period.

	2003	2004	2005	2006
Share Price	10.5¢	16¢	28¢	59¢
Market Capitalisation	$2.18M	$3.32M	$8.23M	$17.56M

Directors and Executives Emoluments (Audited)

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Group is that Directors are to be paid consulting fees at commercial rates for professional services performed.

Details of the nature and amount of each element of the emoluments of each director of Jindalee Resources Limited are set out in the following table:

Key Management Personnel of Jindalee Resources Limited

2006

Name		Short-term benefits Salary $	Vehicle Hire & Registered Office $	Consulting Fees $	Post-employment Super-annuation $	Share-based payment Options $	Total $
D R Kennedy	2006	-	-	20,525	-	-	20,525
	2005	-	-	36,000	-	12,750	48,750
L G Dudfield	2006	-	-	58,960	-	-	58,960
	2005	-	9,143	89,999	-	25,500	124,642
M R Scott	2006	-	-	-	-	-	-
	2005	-	-	-	-	12,750	12,750
Total	2006	-	-	79,485	-	-	79,485
	2005	-	-	125,999	-	51,000	186,142

Refer also to the Corporate Governance section of this report for more detail as to Board policy in this area.

Options granted as part of remuneration

Name	Grant Date	Grant Number	Value per option at grant date	Value of options granted during the year	Value of options exercised during year	Value of options lapsed during year	Total value of options granted, exercised and lapsed during year	% remuneration consisting of the options for the year
L G Dudfield	27/11/02	1,000,000	$0.0029	-	-	-	2,900	3.3
	24/11/04	500,000	$0.05	-	-	-	25,000	28.7
D R Kennedy	27/11/02	500,000	$0.0029	-	-	-	1,450	4.2
	24/11/04	250,000	$0.05	-	-	-	12,500	36.2
M R Scott	27/11/02	500,000	$0.0029	-	-	-	1,450	100
	24/11/04	250,000	$0.05	-	-	-	12,500	100

There were no options exercised by Key Management Personnel for the year ended 30 June 2006.

Option holdings

The number of options over ordinary shares in the company held during the financial year by each Director of Jindalee Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2006

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
L G Dudfield	1,500,000	-	-	-	1,500,000	1,500,000
D R Kennedy	750,000	-	-	-	750,000	750,000
M R Scott	750,000	-	-	-	750,000	750,000

2005

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
L G Dudfield	1,000,000	500,000	-	-	1,500,000	1,500,000
D R Kennedy	500,000	250,000	-	-	750,000	750,000
M R Scott	500,000	250,000	-	-	750,000	750,000

Options granted as part of remuneration in controlled entity Energy Metals Limited

Name	Grant Date	Grant Number	Value per option at grant date	Value of options granted during the year	Value of options exercised during year	Value of options lapsed during year	Total value of options granted, exercised and lapsed during year	% remuneration consisting of the options for the year
L G Dudfield	06/12/05	500,000	53.59c	267,950	-	-	267,950	75.870
D R Kennedy	06/12/05	500,000	53.59c	267,950	-	-	267,950	88.370

No options have been exercised

For details on the valuation of the options, including models and assumptions used, please refer to Note 24. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

DIRECTORS AND OFFICERS INSURANCE

Jindalee Resources Limited has paid a premium to insure the directors and officers of the Company for the period 10/01/2006 to 10/01/2007 against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Details of the nature of the liabilities insured for and the amount of the premium are subject to a confidentiality clause under the contract of insurance.

SHARE OPTIONS

The details of the options on issue by the Company are as follows:

	Number	Exercise Price	Expiry Date	Value per option at grant date
Unquoted	2,375,000	35 cents	30 June 2007	$0.0029
Unquoted	1,300,000	30 cents	30 June 2009	$0.05

Shares Issued on Exercise of Options

There were 350,000 shares issued on exercise of options during the year and up to the date of this report. These shares were issued on 23 June 2006 being 200,000 shares issued at $0.35 and 150,000 shares issued at $0.30.

The details of options on issue by Controlled Entity Energy Metals Limited are as follows:

	Number	Exercise Price	Expiry Date
Quoted	10,840,061	30 cents	30 June 2008
Unquoted	1,150,000	30 cents	30 June 2008
Unlisted Options issued to directors pursuant to resolutions passed at AGM 28/11/2005	1,250,000	35 cents	30 June 2010

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in respect of its exploration activities. Tenements in Western Australia are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanised equipment or development without the approval of the relevant government agencies, and with rehabilitation required on completion of exploration activities.These regulations are controlled by the Department of Industry and Resources.

Jindalee Resources Limited conducts its exploration activities in an environmentally sensitive manner and the Group is not aware of any breach of statutory conditions or obligations.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 46 of this report.

NON-AUDIT SERVICES

The external auditor did not perform any non-audit services during the year ended 30 June 2006.

This report which includes the accompanying Corporate Governance Statement is signed in accordance with a resolution of the Directors.

27th day of September 2006 at Perth, Western Australia.

L G DUDFIELD
Managing Director.

It is the responsibility of the Board of Directors of Jindalee Resources Limited to monitor the business affairs of the Company and to protect the rights and interests of the shareholders. The corporate governance practices in place throughout the reporting year ended 30 June 2006 have aimed to ensure the implementation of a strategic business plan and an integrated framework of accountability over the Company's resources, functions and assets.

In accordance with the ASX Corporate Governance Council's best practice recommendations, the Corporate Governance Statement contains specific information, and also reports on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Company's corporate governance principles and policies are therefore structured with reference the Corporate Governance Council's best practice recommendations, which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Encourage enhanced performance
Principle 9	Remunerate fairly and responsibly
Principle 10	Recognise the legitimate interests of stakeholders

The Company's corporate governance practices were in place throughout the year ended 30 June 2006. With the exception of the departures from the Corporate Governance Council recommendations in relation to, the independence of the board, the nomination committee and audit committee as detailed below, the corporate governance practices of the Company were compliant with the council's best practice recommendations.

THE BOARD

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals. Due to the size of the Board, all issues are considered by the full Board. The Board has established a framework for the management of the Company including an overall framework of internal control, director nomination, risk management and ethical standards.

The Directors of the Company in office at the date of this statement are:

Name	Age	Position	Special Expertise
Donald Ross Kennedy	67	Non-Executive Chairman	Resource Industry
Mark Richard Scott	59	Non-Executive Director	Finance/Stockbroking Industry
Lindsay George Dudfield	49	Managing Director	Resource Industry

The Company's Managing Director has the responsibility for guiding management in effectively carrying out tasks and achieving Company objectives.

The Board comprises of a non-executive Chairman, one other non-executive director and one executive director. The Board believes this structure is effective for the current range of duties of the Board to be properly discharged.

The Directors may, in fulfilling their duties, obtain independent professional advice at the Company's expense, however prior notification by the Director to the Board is required.

At every Annual General Meeting one third of the Directors (excluding the Managing Director) must retire and sit for re-election.

INDEPENDENCE

Corporate Governance Council Recommendation 2.1 recommends a majority of the board to be independent directors. In addition, Recommendation 2.2 requires the chairperson of the company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

In accordance with this definition, all three Directors making up the Board as at year end are not considered to be independent when applying the Council's definition of independence, either by virtue of their substantial shareholdings in the Company or because they are on the board of a company in which Jindalee Resources Limited is a substantial shareholder. The Company considers industry experience and specific expertise to be important attributes of its Board members. The Board is conscious of the need for independence and ensures that directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions and asks that those Directors do not discuss those transactions or potential transactions with other Directors.

NOMINATION COMMITTEE

Recommendation 2.4 recommends listed entities establish a nomination committee. During the year ended 30 June 2006, Jindalee Resources Limited did not have a separately established nomination committee. However, responsibilities of the full Board include the duties and responsibilities typically delegated to such a committee and given the size of the Company the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

AUDIT COMMITTEE

Recommendation 4.2 recommends listed entities establish an audit committee. During the year ended 30 June 2006 Jindalee Resources Limited did not have a separately established audit committee. The Board considers that due to the Company's size, an audit committee's functions and responsibilities can be adequately and efficiently discharged by the Board as a whole, operating in accordance with the Company's mechanisms designed to ensure independent judgement in decision making.

The Board considers and deals with matters which would ordinarily be attended to by an audit committee including:

- setting policy and long and short term strategic planning;
- communicating strategy to relevant parties for implementation;
- monitoring the Company's performance against strategy;
- approving and monitoring all significant or major business transactions;
- designing and implementing an appropriate organisational structure;
- appointing and monitoring the conduct and performance of management and personnel and overseeing all remuneration, development and succession;
- approving and monitoring financial reporting and compliance;
- identifying and monitoring the principal risks and opportunities of the Company's business;
- ensuring appropriate risk management systems are established and reviewed;
- overseeing control and accountability systems;
- ensuring that the Board remains appropriately skilled to meet Company needs;
- reviewing and approving corporate governance systems; and
- delegating authority to management where appropriate.

The Managing Director is accountable to the Board for management of the Company within authority levels approved by the Board and is subject to the supervision of the Board.

REMUNERATION

The Company is required to disclose in its annual report details of remuneration to Directors. A detailed explanation of the basis and quantum of Directors' remuneration is set out in the Directors' Report.

REVIEW OF BOARD PERFORMANCE

There is currently no formal process for performance evaluation of the Board, individual directors or the Managing Director.

CONTINUOUS DISCLOSURE

The Company must comply with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*. The Company is required to disclose to the ASX any information which a reasonable person would expect to have a material effect on the price or value of the Company's securities unless certain exemptions from the requirements apply. To ensure it meets its continuous disclosure obligations, the Board has nominated the Managing Director and Company Secretary as responsible for all disclosure matters. Their role is to collate and, where appropriate, disclose share price sensitive information.

IDENTIFICATION AND MANAGEMENT OF SIGNIFICANT BUSINESS RISK

The Board has identified the significant areas of potential business and legal risk to the Company. The identification, monitoring and, where appropriate, the reduction of significant risk to the Company is the responsibility of the Managing Director.

The Board review and monitors the parameters under which such risks will be managed.

ETHICAL STANDARDS

The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

The Company's officers and employees are members of their appropriate professional bodies and are required to act in accordance with the law and with the highest ethical standards.

Directors and staff of Jindalee Resources Limited are not permitted to engage in trading of the Company's shares during a period when they are in possession of price sensitive information which is not currently available to the market. This includes the period leading up to the release of periodic reports.

Where a conflict of interest may arise the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration.

SHAREHOLDER COMMUNICATION

In the Company's current stage of development, matters of crucial importance arise regularly. The Managing Director will discuss significant issues with Board members and jointly will make a decision on the timely release of factual and balanced information concerning the Company's activities.

The Board of Jindalee Resources Limited endeavours to ensure that shareholders are informed of all the activities affecting the Company. Information is conveyed to shareholders via the annual report, quarterly reports and other announcements which are delivered to the Australian Stock Exchange and posted on the Company's website (http://www.jindalee.net). Shareholders with access to the internet are encouraged to submit their email addresses to receive electronic copies of information distributed by the Company. Hard copies of this information are available on request.

The Board encourages the attendance and participation of shareholders at the Annual General Meeting and specifically convened General Meetings by holding those meetings in a location accessible by a large number of shareholders.

External Auditor

The company's policy is to appoint external auditors who clearly demonstrate quality and independence. It is the auditor's policy to rotate engagement partners on listed companies at least every five years.

The auditor is required to attend the Annual General Meeting of Shareholders. The Chairman will permit shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report, in accordance with section 250T of the *Corporations Act 2001*.

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Revenue from continuing operations	3(a)	401,393	74,214	231,541	74,214
Gain on dilution of investment in subsidiary	3(c)	2,492,589	-	-	-
Employee benefits expense		(910,691)	(81,360)	(103,829)	(81,360)
Depreciation expense	4	(19,671)	(6,960)	(8,597)	(6,667)
Exploration expenditure written off	4	(309,987)	(128,323)	(257,288)	(128,323)
Tenancy and operating expenses		(69,812)	(49,668)	(53,812)	(49,668)
Other administration expenses		(374,125)	(111,580)	(165,447)	(58,734)
Corporate and regulatory expenses		(271,449)	-	-	-
Profit/(Loss) before income tax		938,246	(303,677)	(357,433)	(250,538)
Income tax expense	26	-	-	-	-
Profit/(Loss) for the year		938,246	(303,677)	(357,433)	(250,538)
Loss attributable to minority interest		(617,083)	-	-	-
Profit/(Loss) attributable to Members of Jindalee Resources Limited		1,555,329	(303,677)	(357,433)	(250,538)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company					
Basic earnings per share (cents per share)	16	5.28	(1.40)	(1.2)	(1.20)
Diluted earnings per share (cents per share)	16	4.74	(1.23)	(1.09)	(1.01)

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

BALANCE SHEETS
AS AT 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash and cash equivalents	15	8,906,154	2,111,021	2,814,067	2,111,021
Trade and other receivables	9	273,807	685,439	40,883	685,439
Available for sale financial assets	10	560,000	200,000	560,000	200,000
Total Current Assets		9,739,961	2,996,460	3,414,950	2,996,460
NON-CURRENT ASSETS					
Receivables	9	-	-	30,765	188,898
Property, plant and equipment	7	164,308	30,650	36,992	27,838
Exploration and evaluation expenditure	8	2,013,952	1,686,421	992,514	1,185,574
Other financial assets	10	-	-	417,893	367,900
Total Non-Current Assets		2,178,260	1,717,071	1,478,164	1,770,210
TOTAL ASSETS		11,918,221	4,713,531	4,893,114	4,766,670
CURRENT LIABILITIES					
Trade and other payables	12	29,914	5,259	14,135	5,259
Total Current Liabilities		29,914	5,259	14,135	5,259
TOTAL LIABILITIES		29,914	5,259	14,135	5,259
NET ASSETS		**11,888,307**	**4,708,272**	**4,878,978**	**4,761,411**
EQUITY					
Contributed equity	13	5,291,003	5,176,003	5,291,003	5,176,003
Retained profits (accumulated losses)	22	1,087,598	(467,731)	(772,025)	(414,592)
Minority interests	28	4,479,831	-	-	-
Reserves	25a	1,029,875	-	360,000	-
TOTAL EQUITY		**11,888,307**	**4,708,272**	**4,878,978**	**4,761,411**

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flows from operating activities					
Receipts in the course of operations		131,907	50,000	92,046	50,000
Payments in the course of operations		(991,429)	(274,185)	(297,636)	(221,339)
Interest received		269,485	64,214	139,495	64,214
Net cash inflow (outflow) from operating activities	14	(590,037)	(159,971)	(66,095)	(107,125)
Cash flows from investing activities					
Payments for exploration and evaluation		(836,538)	(475,669)	(285,980)	(304,822)
Payments for property, plant and equipment		(154,664)	(4,196)	(18,973)	(1,091)
Payments for options in listed company		(50,000)	-	(50,000)	-
Net cash inflow (outflow) from investing activities		(1,041,202)	(479,865)	(354,953)	(305,913)
Cash flows from financing activities					
Proceeds from issue of shares and options		8,426,472	1,180,576	786,973	1,180,576
Loan to controlled entities		-	-	(23,310)	(226,798)
Repayment of loan from controlled entities		-	-	360,431	-
Net cash inflow (outflow) from financing activities		8,426,472	1,180,576	1,124,094	953,778
Net increase / (decrease) in cash and cash equivalent		6,795,133	540,740	703,046	540,740
Cash and cash equivalents at the beginning of the financial year		2,111,021	1,570,281	2,111,021	1,570,281
Cash and cash equivalents at the end of the financial year	15	8,906,154	2,111,021	2,814,067	2,111,021

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Total equity at the beginning of the year		4,708,272	2,829,400	4,761,411	2,829,400
Profit/(Loss) for the year		1,555,329	(303,677)	(357,433)	(250,538)
Total recognised income and expense for the year		1,555,329	(303,677)	(357,433)	(250,538)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity net of transaction costs	13	115,000	2,182,549	115,000	2,182,549
Share options	25	669,875	-	-	-
Recognition of minority interests		4,479,834	-	-	-
Revaluation of investments		360,000	-	360,000	-
Total equity at the end of the year		11,888,307	4,708,272	4,878,978	4,761,411
Total recognised income and expense for the year is attributable to:					
Members of Jindalee Resources Ltd		1,555,329	(303,677)	(357,433)	(250,538)
Minority Interests		(617,083)	-	-	-
		938,246	(303,677)	(357,433)	(250,538)

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

1. CORPORATION INFORMATION

The financial report of Jindalee Resources Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of directors on 27th September 2006.

The financial report covers the Group of Jindalee Resources Ltd and controlled entities, and Jindalee Resources Ltd as an individual parent entity. Jindalee Resources Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

Unless otherwise stated, policies adopted in the preparation of the financial report are consistent with those of the previous year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In order to assist in the understanding of the accounts, the following summary explains the material accounting policies that have been adopted in the preparation of the accounts.

(a) Basis of Preparation/Accounting.

The financial report is a general purpose financial report prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*. The Financial Report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Statement of compliance

The Financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

This is the first annual financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement.* The Company has adopted the exemption under AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period.

The Directors are of the opinion that there are no material differences resulting from the conversion of the Company's accounting policies to AIFRS and that the financial effect of any differences is insignificant. The impact of the alternative treatment and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable. A description of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income is given in Note 5.

(c) Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may me impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate case inflows that are largely independent of those from other asset's or groups of asset's and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds it's recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the late impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(d) Share Based Payment Transactions

Share based payments
Under AASB 2 Share Based Payments, the Company must recognise the fair value of options granted to directors, employees and consultants as remuneration as an expenses on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs were not recognised under AGAAP.

The Company provides benefits to employees (including directors) of the company in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value is determined using a Black-Scholes model.

(e) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Jindalee Resources Ltd and all of its controlled entities. A controlled entity exists where Jindalee Resources Ltd 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 Jindalee Resources Ltd to achieve the objectives of Jindalee Resources Ltd. A list of controlled entities is contained in Note 11 to the financial statements.

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

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

(f) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated using the diminishing value and prime cost methods and is brought to account over the estimated economic lives of all buildings, plant and equipment. The rates used are based on the useful life of the assets and range from 10% to 40%.

(g) Income Tax

Current tax assets and liabilities for the current tax and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 probably that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When 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; or

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Investments and Other Financial Assets

Held to maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity. Investments included to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measure at amortised cost. This cost is computed as the amount initially recognised minus

principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discount. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available for sale investments
Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as any of the preceding categories. After initial recognition available for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(i) Exploration and Evaluation Expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the area of interest method. Under this method exploration and evaluation expenditure is 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 and evaluation expenditure related to an area of interest is carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:

- such evaluation 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 and evaluation costs accumulated in respect of each particular area of interest include only net direct expenditure.

(j) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

(k) Employee Entitlements

The Group's liability for employee entitlements arising from services rendered by employees to balance date are recognised in other payables. Employee entitlements are expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(l) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing the operating profit/(loss) attributable to the equity holder of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the year.

(m) Revenue

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

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

(n) Trade and Other Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. Cash on deposit is not due for settlement until rights of tenure are forfeited or performance obligations are met.

(o) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Accounting for capitalised exploration and evaluation expenditure
The Group's accounting policy is stated at 1(i). There is some subjectivity involved in the carrying forward as capitalised or writing off to the income statement exploration and evaluation expenditure, however management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure fairly reflect the prevailing situation.

(r) Early Adoption of Standards

Amendment	Affected Standard	Nature of Change to Accounting Policy	Application date of Standard	Application date for Group
2005-1	AASB 139 Financial Instruments: Recognition and Measurement	No change to accounting policy therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First time adoption of AIFRS, AASB 139: Financial Instruments: Recognition and Measurement	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: Business Combinations	No change to accounting policy required, therefore no impact	1 January 2006	1 July 2006
2005-9	AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts, AASB 139: Financial Instruments Recognition and Measurement, AASB 132: Financial Instruments: Disclosure and Presentations	No change to accounting policy required, therefore no impact	1 January 2006	1 July 2006
2005-10	AASB 132 Financial Instruments: Disclosure and Presentations, AASB 139: Presentation of Financial Statements, AASB 114: Segment Reporting, AASB 117: Leases, AASB 133: Earnings per Share, AASB 139: Financial Instruments Recognition and Measurement, AASB 1: First time adoption of AIFRS, AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts and AASB 1038: Life Insurance Contracts	Assets need to be tested at each balance date for impairment on individual cash generating unit basis	1 January 2007	1 July 2007
New Standard	AASB 7: Financial Instruments: Disclosure	No change required	1 January 2007	1 July 2007

(s) Joint Ventures

Interests in joint ventures have been brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements. Details of these interests are shown in Note 29.

3. REVENUE

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(a) From continuing operations					
Joint venture agreement fee		131,908	10,000	92,046	10,000
(b) Other					
Interest		269,485	64,214	139,495	64,214
		401,393	74,214	231,541	569,821
(c) Gain on dilution of investment in Subsidiary (i)	11	2,492,589	-	-	-

(i) the gain arises on the dilution of investment in Energy Metals Ltd as a result of Energy Metals Ltd listing on the Australian Stock Exchange.

4. EXPENSES

Profit/(Loss) before income tax includes the following specific expenses:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Depreciation expense	19,671	6,960	8,597	6,667
Exploration expenditure – written off	309,987	128,323	257,288	128,323

5. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Group changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with AASB 1 'First-time adoption of Australian equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

The transition from AGAAP to AIFRS has not affected the Company's income statement, balance sheet, statement of equity and cash flows as at 1 July 2004. Upon adoption on AASB 132 and AASB 139 on 1 July 2005, the revaluation of Available for Sale financial assets to fair value would have resulted in an increase of $80,000 to Available for Sale financial assets and an equal and corresponding increase to the revaluation reserve.

6. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Directors and Key Management Personnel

(i) Directors

The following persons were directors of Jindalee Resources Limited during the financial year:

Mr D R Kennedy	-	Chairman
Mr L Dudfield	-	Managing Director
Mr M Scott	-	Non-Executive Director

(ii) Other Key Management Personnel

During the financial year there were no employees that fulfilled the role of a key management person, other than those disclosed as Executive Directors.

(b) Key Management Personnel Compensation

	Company	
	2006	2005
	$	$
Short-term employee benefits	79,485	135,142
Post-employment benefits	-	-
Share-based payments	-	51,000
	79,485	186,142

The Company has utilised the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the "Remuneration Report" within the Directors' Report.

(c) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on any exercise of such options
Details of options provided as remuneration and shares issued on any exercise of such options, together with terms and conditions can be found in the "Remuneration Report" within the Directors' Report.

(ii) Share and option holdings
The number of shares and options over ordinary shares in the Group held during the financial year by each Director of Jindalee Resources Limited and any other key management personnel of the Group, including their personally related parties, are set out below:

SHAREHOLDINGS

Aggregate numbers of shares and options of the Group held directly, indirectly or beneficially by Directors of the Group at the date of this report:

	2006	2005
Mr D R Kennedy		
Ordinary fully paid shares	48,000	48,000
Unlisted Options (ASX Code JRLAK)	500,000	500,000
Unlisted Options (ASX Code JRLAM)	250,000	250,000
Mr L G Dudfield		
Ordinary fully paid shares	3,751,719	3,383,766
Unlisted Options (ASX Code JRLAK)	1,000,000	1,000,000
Unlisted Options (ASX Code JRLAM)	500,000	500,000
Mr M Scott		
Ordinary fully paid shares	3,452,103	2,721,103
Unlisted Options (ASX Code JRLAK)	500,000	500,000
Unlisted Options (ASX Code JRLAM)	250,000	250,000

(d) Other Transactions with Key Management Personnel

i) During the year the Company paid a total of $58,960 to Western Geological Services (a division of Jopan Management Pty Ltd). The fees being for the provision of technical and management services provided to the Company by Mr Lindsay Dudfield. Mr Dudfield's spouse is the major shareholder of and the sole director and company secretary of Jopan.

ii) During the year the Company paid Little Tagon Pty Ltd, a company related to Mr Donald Ross Kennedy $20,525 for the provision of technical and management services provided by Mr Kennedy.

iii) During the year the Company received a total of $77,600 from Energy Metals Limited for the provision of registered and serviced offices and the provision of staff (employed by Jindalee) to provide administrative, secretarial, corporate compliance and reception services. During the year the Company was reimbursed by Energy Metals Limited a total of $404,353 (being repayment of loan in the amount of $360,431.54 and reimbursement for goods purchased by Jindalee on behalf of Energy Metals in the amount of $43,921.02). Jindalee Resources is a substantial shareholder in Energy Metals holding 10,000,000 shares escrowed until 09/09/2007. Lindsay George Dudfield and Donald Ross Kennedy are also directors of Energy Metals Limited.

iv) Jindalee Resources Ltd is related to Mr Dudfield and Mr Kennedy who are both directors and shareholders of the Company.

A) Details of the nature and amount of remuneration received by Mr Dudfield and Mr Kennedy as Directors of Energy Metals Limited are as follows:

Non-Executive Directors of Energy Metals Limited

Name		Short-term benefits		Post-employment	Share-based payment	
		Directors Fees	Consulting Fees	Super-annuation	** Options	Total
		$	$	$	$	$
D R Kennedy	2006	10,000	25,400	-	267,950	303,350
	2005	-	-	-	-	-

Executive Directors of Energy Metals Limited

Name		Short-term benefits			Post-employment	Share-based payment	
		Salery	Vehicle Hire	Consulting Fees	Super-annuation	** Options	Total
		$	$	$	$	$	$
L G Dudfield	2006	-	640	84,900	-	267,950	353,490
	2005	-	-	-	-	-	-

** Further information on options issued as share-based payments can be found in the "Remuneration Report" in the Directors' Report .

B) Details of Mr Kennedy and Mr Dudfield's interest in shares and options of Energy Metals Limited at 30 June 2006 are as follows:

	Ordinary Shares	30c Options Expiring 30/06/2008	Unlisted 35c Options Expiring 30/06/2010
D R Kennedy	36,000	18,000	500,000
L G Dudfield	1,372,000	686,000	500,000

7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Plant and equipment - at cost	188,105	54,823	70,673	51,718
Less: accumulated depreciation	(44,700)	(24,173)	(33,681)	(23,880)
	143,405	30,650	36,992	27,838
Motor vehicle at cost	21,364	-	-	-
Less: accumulated depreciation	(461)	-	-	-
	20,903	-	-	-
Reconciliation of the carrying amount of motor vehicles:				
Carrying amount at 1st July 05	-	-	-	-
Additions	21,364	-	-	-
Less depreciation expenses for year	(461)	-	-	-
Carrying amount at 30 June 2006	20,903	-	-	-
Reconciliation of the carrying amount of property, plant and equipment:				
Carrying amount at 1 July 2005	30,650	33,414	27,838	33,414
Additions	131,965	4,196	17,751	1,091
Less depreciation expense for year	(19,210)	(6,960)	(8,597)	(6,667)
Carrying amount at 30 June 2006	143,405	30,650	36,992	27,838
Total property, plant and equipment at 30 June 2006	164,308	30,650	36,992	27,838

8. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Balance at beginning of year	1,686,421	1,185,574	1,185,574	1,009,075
Exploration expenditure incurred	637,518	629,170	75,339	304,822
Exploration expenditure written off	(309,987)	(128,323)	(257,288)	(128,323)
Balance at the end of the year	2,013,952	1,686,421	1,003,625	1,185,574

The balance carried forward represents projects in the exploration and evaluation phase.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas

9. TRADE AND OTHER RECEIVABLES

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current					
Trade receivables		273,807	13,466	40,883	13,466
Other receivables		-	671,973	-	671,973
		273,807	685,439	40,883	685,439
Non-current					
Loan to controlled entities	29	-	-	30,765	188,898

Fair Values

The fair values are based on cash flows discounted using a current lending rate of 6.02%.

10. CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Shares in listed corporation (market value of shares as at 30/06/06 is $560,000)	560,000	200,000	560,000	200,000
At beginning of year	200,000	200,000	200,000	200,000
Revaluation (to asset revaluation – Note 25(a))	360,000	-	360,000	-
At end of year	560,000	200,000	560,000	200,000
NON CURRENT ASSETS – OTHER FINANCIAL ASSETS				
Shares in controlled entities at cost (Note 11)	-	-	417,893	367,900

11. CONTROLLED ENTITIES

Parent Entity	% held 2006	% held 2005	Class	State of Incorporation	Date of Incorporation	Investment at Cost 2006 $	Investment at Cost 2005 $
Jindalee Resources Ltd			Ord	WA		-	-
Controlled Entities							
Energy Metals Ltd	39.71%	100%	Ord	VIC	08/10/04	417,898	367,898
Eastmin Pty Ltd	100%	100%	Ord	VIC	15/04/05	2	2
						417,900	367,900

The date of acquisition of the controlled entities was on the date of incorporation of both companies. The fair value of net assets acquired at the date of acquisition was nil.

During the year the Company's interest in Energy Metals Ltd was diluted when Energy Metals Ltd listed on the Australian Stock Exchange. The Group maintains control of Energy Metals Ltd due to its 39.71% voting power and the power to cast the majority of votes at meetings of the board of directors due to two thirds of the Board of Jindalee Resources Ltd being directors of Energy Metals Ltd.

12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Trade payables and employee entitlements	29,914	5,259	14,135	5,259

13. CONTRIBUTED EQUITY

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Share capital				
29,769,780 (2005: 29,419,780) ordinary shares, fully paid	5,291,003	5,176,003	5,291,003	5,176,003
(a) Movements in ordinary share capital Balance at the beginning of the year	5,176,003	2,993,454	5,176,003	2,993,454
On 27 June 2006, 150,000 ordinary shares issued on the conversion of 30 cent options	45,000	-	45,000	-
On 27 June 2006, 200,000 ordinary shares issued on the conversion of 35 cent options	70,000	-	70,00	-
On 20 May 2005, 1,200,000 ordinary shares were issued (800,000 to Yuendumu Mining Company NL and 400,000 to Central Pacific Minerals respectively) in consideration for the acquisition of mining tenements.	-	330,000	-	330,000
During June 2005, 7,410,196 ordinary shares were issued on the conversion of 25 cent options.	-	1,852,549	-	1,852,549
Balance at the end of year	5,291,003	5,176,003	5,291,003	5,176,003

Ordinary shares participate in dividends. On winding up of the company any proceeds would be distributed in proportion to the number of the shares held. At shareholder 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.

14. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Profit/(Loss) after income tax	938,246	(303,677)	(357,433)	(250,538)
Exploration expenditure written off	309,987	128,323	257,288	128,323
Share based payment expenses	669,875	-	-	-
Depreciation	19,671	6,960	8,597	6,667
Gain on dilution of investment in subsidiary	(2,492,589)	-	-	-
Change in operating assets and liabilities during the financial year:				
(Increase)/decrease in trade and other receivables	(54,289)	15,142	-	15,142
Increase/(decrease) in trade and other payables	19,062	(6,719)	25,453	(6,719)
Net cash/(outflow) from operating activities	(590,037)	(159,971)	(66,095)	(107,125)

15. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Term deposits	8,024,763	904,113	2,521,682	904,113
Cash at bank	881,391	1,206,908	292,385	1,206,908
	8,906,154	2,111,021	2,814,067	2,111,021

The term deposits are bearing fixed interest rates of 5.84% (2005 – 5.56%). These deposits have an average maturity of 30 days.

16. EARNINGS PER SHARE

	Consolidated	
	2006	2005
	$	$
Profit/(Loss) used in calculation of basic and diluted earnings per share	1,555,329	(303,677)
Basic earnings/(loss) per share (cents per share)	5.28	(1.40)
Diluted earnings/(loss) per share (cents per share)	4.74	(1.23)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	29,422,655	20,941,090
Adjustments for calculation of diluted earnings per share: Options (i)	3,325,000	3,675,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	32,747,655	24,616,090

(i) Options granted to employees under the Employee Share Option Plan (ESOP) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

17. CONTINGENCIES

Contingent Liabilities

Claims of Native Title
To date the Company has been notified by the Native Title Tribunal of native title claims which cover some of the Company's licence holdings. Until further information arises in relation to the claims and its likelihood of success, the Company is unable to assess the likely effect, if any, of the claims.

Performance Bonds and Security Documents
In support of titles granted to or operated by the Company, various securities have been submitted to the Department of Industry & Resources. These consist of unconditional performance bonds, securities or Form 32 security documents with a total potential liability of $122,000.

18. COMMITMENTS

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Tenement Expenditure Commitments: The Company is required to maintain current rights of tenure to tenements, which require outlays of expenditure in 2006/2007. Under certain circumstances these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations, however, they are expected to be fulfilled in the normal course of operations. Estimated expenditure on mining, exploration and prospecting leases for 2006/2007.				
	1,249,660	838,365	718,960	838,365

Capital Commitments
There are no capital expenditure commitments for the Group as at 30 June 2006.

Contractual Commitment
As at 30 June 2006 the Company has a contractual lease agreement for its registered offices. The amount contracted for but not included as a liability as at 30 June 2006 was $133,308.

19. REMUNERATION OF AUDITORS

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Amounts received or due and receivable at 30 June 2006 by the auditors for:				
Audit and review of financial report	22,487	15,613	12,381	11,613
Other assurance services	-	1,770	-	1,770
Total remuneration for audit services	22,487	18,383	12,381	13,383

20. FINANCIAL RISK MANAGEMENT

(a) Credit Risk Exposure

The credit risk on financial assets of the Group which have been recognised on the Balance Sheets position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The Group's exposure to interest rate risk arises from assets and liabilities bearing variable interest rates. The weighted average interest rate on cash holdings was 4% at 30 June 2006. All other financial assets and liabilities are non interest bearing. The net fair value of the Group's financial assets and liabilities approximates their carrying value.

21. SEGMENT INFORMATION

Business Segment
During the financial year the Group operated in one segment, the mining exploration and prospecting industry.

Geographical Segments
During the financial year the Group operated within Australia only, specifically New South Wales, the Northern Territory and Western Australia.

22. ACCUMULATED LOSSES

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Accumulated losses at the beginning of the financial year	(467,731)	(164,054)	(414,592)	(164,054)
Net profit (loss) attributable to members of the Group	1,555,329	(303,677)	(357,433)	(250,538)
Accumulated profits (losses) at the end of the financial year	1,087,598	(467,731)	(772,025)	(414,592)

23. EVENT OCCURRING AFTER BALANCE SHEET DATE

There are no events subsequent to the end of the financial year that would have a material effect on the financial report.

24. SHARE BASED PAYMENT TRANSACTIONS

Share based payments transactions are recognised at fair value in accordance with AASB 2. The adoption of AASB 2 is equity-neutral for equity-settled transactions. The expense in the year was $669,875.

Fair Value of Share Options and Assumptions

The fair value of services received in return for share options granted to directors is measured by reference to the fair value of options granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. This life of the options and early exercise option are built into the option model.

The assumptions used for the options valuation are as follows:

Exercise Price	$0.35
Expected Life	2.32 years
Share Price at Time of Issue	$0.84
Expected Volatility	88.34%
Dividend Yield	0%
Risk Free Interest Rate	5.23%
Option Value	53.59 cents

Employee Share Option Plan

Jindalee Resources Limited Employee Share Option Plan ("ESOP") was established to encourage all eligible directors, executive officers and employees who have been continuously employed by the Company to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

The ESOP allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price in accordance with the rules of the ESOP.

During the financial year the Company has not issued any options.

25. RESERVES

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Share-based payment reserve				
Balance at the beginning of the year	-	-	-	-
Options expense (a)	669,875	-	-	-
Balance at the end of the year	669,875	-	-	-
Available for sale investments revaluations reserve				
Balance at the beginning of year	-	-	-	-
Revaluation – Note 10	360,000	-	360,000	-
	360,000	-	360,000	-
	1,029,875	-	360,000	360,000

Nature and purpose of the reserve:

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

(a) The options expense of $669,875 includes options issued as remuneration to the Directors of controlled entity Energy Metals Limited. Further information can be found in the "Remuneration Report" in the Directors' Report.

The available for sale investment revaluation reserve is used to recognise the change in fair value.

26. INCOME TAX EXPENSE

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:				
Profit/(Loss) before income tax	938,246	(303,677)	(357,433)	(250,538)
Income tax expense (benefit) @ 30%	323,468	(91,103)	(107,230)	(75,161)
Tax effect of amounts which are not deductible in calculating taxable income:				
Gain on dilution of investment	(747,776)			
Share based payments	200,962	-	-	-
Other costs not deductible	194	133	79	133
Temporary differences not recognised	1,022	198	187	198
Deferred tax assets relating to tax losses not recognised	264,119	90,772	106,963	74,830
Total income tax expense	-	-	-	-

The franking account balance at year end was $nil (2005: $nil).

	Consolidated		Company	
	2006	2005	2006	2005
Deferred tax assets and liabilities not recognised relate to the following:				
Deferred tax assets				
Tax losses	566,689	302,570	356,546	249,431
Other temporary differences	1,022	198	187	198
Deferred tax liabilities				
Other temporary differences	-	-	-	-
Net deferred tax assets	567,711	302,768	356,733	249,629

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

27. DIVIDENDS

There were no dividends paid or declared by the Company during the year.

28. MINORITY INTEREST

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Interest in:				
Share Capital	4,827,658	-	-	-
Reserves	403,868	-	-	-
(Accumulated losses)	(751,695)	-	-	-
	4,479,831	-	-	-

29. JOINT VENTURES

Joint Venture agreements have been entered into with third parties whereby the third parties can earn an interest in exploration areas by expending specified amounts in the exploration areas.

There are no assets employed by these joint ventures and the Group's expenditure in respect of them is brought into account initially as capitalised exploration and evaluation expenditure (refer Note 1(s))

30. RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is Jindalee Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 11.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 6.

(d) Transactions with related parties

There were no transactions with related parties during the year ended 30 June 2006, other than those already disclosed in Note 6(d) dealing with transactions with key management personnel.

DIRECTORS DECLARATION

In accordance with a resolution of the Board of Directors, I state that:

In the opinion of the Directors:

(1) (a) the financial statements, notes and audited remuneration disclosures included in the directors' report of the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial and consolidated entity's position at 30 June 2006 and of their performance for the year ended on that date: and

(ii) complying with Accounting Standards and *Corporations Regulations 2001* and other mandatory professional reporting requirements; 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.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2006.

On behalf of the Board.

L G DUDFIELD
Managing Director

Dated the 27th day of September 2006 at Perth, Western Australia

Horwath

Horwath Audit (WA) Pty Ltd
ABN 79 112 284 787
Chartered Accountants
A member of Horwath International
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We have audited the accompanying financial report of Jindalee Resources Limited (the company) and the consolidated entity for the year ended 30 June 2006. The financial report comprises the balance sheet at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the year then ended.

We have also audited the information about the remuneration of directors and executives ("remuneration disclosures"), the company has disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 6 to 9 of the directors' report, as permitted by the Corporations Regulations 2001.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and the remuneration disclosure based on our audit. We conducted our audit in accordance with Auditing Standards in Australia. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Horwath

Independence

We are independent of the company and group, and have complied with the independence requirements of the Corporations Act 2001. We have given to the Directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Director's Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. The financial reports of Jindalee Resources Limited are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the company's and the group's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

   (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

2. The remuneration disclosures that are contained in pages 6 to 9 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

Dated the 27th day of September 2006.

HORWATH AUDIT (WA) PTY LTD

Horwath

Glyn O'Brien

GLYN O'BRIEN
Director

Horwath

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Facsimile (08) 9380 8499

27 September 2006

The Board of Directors
Jindalee Resources Limited
Level 2, 18 Kings Park Road
WEST PERTH WA 6005

This declaration is made in connection with my audit of the financial report of Jindalee Resources Ltd for the year ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

HORWATH AUDIT (WA) PTY LTD

Glyn O'Brien
Director

The following additional information not shown elsewhere in this report is required by the Australian Stock Exchange Ltd in respect of listed public companies only. This information is current as at 25/09/06.

SUBSTANTIAL SHAREHOLDERS

The Company has received a notice of substantial holding from the following:

Kale Capital Corporation Limited in relation to 3,121,103 ordinary shares
Teck Cominco Australia Pty Ltd in relation to 2,050,000 ordinary shares

ISSUED SECURITIES

Quoted Securities

ASX Code	Number of Holders	Security Description	Total Securities
JRL	876	Ordinary Fully Paid	29,769,775

Unquoted Securities

ASX Code	Number of Holders	Security Description	Total Securities
JRLAK*	6	Options expiring 30/06/07 exercisable at 35c	2,175,000
JRLAM*	5	Options expiring 30/06/09 exercisable at 30c	1,150,000

VOTING RIGHTS

The voting rights of each class of share are as follows:

Fully Paid Ordinary Shares – one vote per share held.
*Options – no voting rights are attached to unexercised options.

DISTRIBUTION SCHEDULE

Spread of Holdings			Ordinary Shares (JRL)	% Issued Capital (JRL)
1	-	1,000	107	0.19%
1,001	-	5,000	231	2.39%
5,001	-	10,000	203	5.66%
10,001	-	100,000	292	29.24%
100,001	-		43	62.52%
TOTAL HOLDERS			**876**	**100%**

UNMARKETABLE PARCELS

As at 25/09/2006 there were 77 shareholders holding less than a marketable parcel of shares.

20 LARGEST SHAREHOLDERS

The names of the twenty largest shareholders (ASX Code: JRL) are listed below:

Name		% of Issued Securities	Number of Ordinary Shares
1.	Lindsay Dudfield	12.60	3,751,719
2.	Kale Capital Corporation Limited	10.48	3,121,103
3.	Teck Cominco Australia Pty Ltd	6.89	2,050,000
4.	Jopan Management Pty Ltd	5.00	1,490,000
5.	Yandal Investments Pty Ltd	3.87	1,152,500
6.	Mr Jordan Luckett	2.03	604,550
7.	Yuendumu Mining Company NL	1.93	576,251
8.	Pillage Investments Pty Ltd	1.85	550,000
9.	Ross Asset Management Limited	1.84	547,896
10.	Perth Select Seafoods Pty Ltd	1.68	500,000
11.	Mr Clive Rutherford & Ms Pamela Rutherford	1.34	400,000
12.	Central Pacific Minerals NL	1.34	400,000
13.	Mrs Eva Scott	1.24	368,000
14.	Grandor Pty Ltd	1.11	331,000
15.	Neil Watson & Margaret Moroney	0.92	273,849
16.	Jatig Investments Pty Ltd	0.84	250,000
17.	Acumen Engineering Pty Ltd	0.79	236,484
18.	Twibon Pty Ltd	0.76	227,260
19.	Spaceface Pty Ltd	0.75	224,925
20.	Jongila Nominees Pty Ltd	0.73	218,500

INTERESTS IN MINING TENEMENTS (AS AT 25/09/06)

Raeside
ELA31/654
ELA31/704
PLA31/1666
ELA31/660
ELA31/714

Glenorn
E31/412
MLA31/392-393
ELA39/1167

Claypan Bore
ELA31/349

Irontank Well
E37/692
P37/6417

Cardinia
P37/4404[*5]
P37/4405[*5]
P37/4406[*5]
P37/4407[*5]
MLA37/646[*5]
MLA37/647[*5]
MLA37/648[*5]

Yilgangi
E31/597[*2]

Braiser Well
ELA37/841
MLA37/1206-1207
MLA37/1237-1238

Edjudina
ELA31/689
ELA31/417

Rainbow Dam
E31/556

Jessie Dam
E31/602
PLA31/1694

Burley Well
ELA37/758

Watson Well
ELA31/370

Menangina
ELA31/686

Mt Gibb
E74/181[*6]
ELA74/273[*6]
E74/305[*6]
PLA74/251[*6]
E74/313[*6]
E74/320[*6]

Lake Carey
ELA38/1213
MLA38/986-988

McDougal
MLA39/918-919

Murphy's Well
ELA39/828

Lake Edge
E39/947

Yundamindra
ELA39/1166

Trishs Rise
ELA38/1691

Karara Well
ELA38/1716
ELA38/1717

West Musgraves
E69/1888

Birdwood
EL6459[*7]

Mount Holland
ELA77/1329[*6]

Burtville
ELA38/1676

Mt Remarkable
MLA39/909

Jubilee Well
E38/1730

Mt Korong
ELA39/1112

Oscars
ELA80/3432
ELA80/3433

Bow River
ELA80/3392
ELA80/3620

Kilkenny
E39/990[*3]

Kirkalocka
E59/1024[*1]

Joyners Find
E53/1089-I[*4]
MLA53/1708[*4]

Big Bell North
E20/432
ELA20/639
ELA20/594
PLA20/1866

Gidgee
E51/1044

Widgie
E20/549
E51/1048
ELA20/610
PLA20/1939-1942

Jeffrey Well
ELA20/507

Ninden Hill
ELA20/536

Lake Violet
E53/1085

Polelle
E51/1003
E51/1042
MLA51/859-862

All of the above tenements are situated in Western Australia and are beneficially owned by Jindalee. Percentage interest is 100% unless otherwise stated.

ABBREVIATIONS

*1	=	JV with Equigold NL	E	=	Exploration Licence
*2	=	JV with Newcrest Mining Limited	P	=	Prospecting Licence
*3	=	JV with GME Resources	M	=	Mining Lease
*4	=	JV with Golden West Resources	ELA	=	Exploration Licence Application
*5	=	11% only	PLA	=	Prospecting Licence Application
*6	=	20% free carried	MLA	=	Mining Licence Application
*7	=	90% Eastmin Pty Ltd (Jindalee Subsidiary)	EL	=	Exploration Licence (NSW)

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