



## **ANNUAL REPORT 2006**

FLORIN MINING INVESTMENT COMPANY LIMITED

ABN 60 111 170 882

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## HIGHLIGHTS

### Achievements

- Operating profit after tax of \$297,636.
- Shareholders equity increased by \$417,934 or 44.71%.

### Key Financial Statistics

	2006	2005
Net profit (loss) after tax	297,636	\$(54,070)
Earnings per Share (cents per share)	5.80	-1.05
Total Assets	\$1,628,033	\$957,894
Total Liabilities	\$275,323	\$23,118
Shareholders Funds	\$1,352,710	\$934,776
Total Shareholders Return*	44.4%	-%
Return on Shareholders Funds	31.84%	-3.35%
Net Asset backing per share	\$0.26	\$0.18
Shares on issue	5,127,502	5,127,502
Number of Shareholders	198	211
Series A Options on issue	5,127,500	5,127,500
Number of Series A Option holders	197	208
Series B Options on issue	5,127,500	5,127,500
Number of Series B Option holders	198	207

\*Total shareholders return consists of the dividends paid together with the change in net asset backing per share.

### Benefits of Investing in Florin Shares

Florin

2005. Some of the benefits of investing in Florin Mining Investment Company Limited shares and options include:

- **Diversification of risk**

In order to number of issuers in the Portfolio to a minimum of 20 and a maximum of 100.

- **Professional Management**

The investment portfolio of Florin is managed by Cameron Stockbrokers Limited, which is a participant of the Stock Exchange of Newcastle Limited, Australian Stock Exchange Group and licensed by the Australian Securities & Investments Commission.

- **Fixed Capital Base Not Affected by Unexpected Cash Inflows or Outflows**

Florin is able to invest for the medium to long term, as it has a fixed capital base and does not need to manage constant inflows and outflows of additional capital.

- **Regular Reporting to the Stock Exchange of Newcastle Limited**

Florin reports its performance to the NSX and shareholders on a bi annual basis and it announces its net asset backing to the NSX monthly. In addition, as a listed company, Florin complies with the continuous disclose requirements of the NSX. Copies of all announcements to the NSX are also posted on the Florin internet site [www.florin.com.au](http://www.florin.com.au).

## INVESTMENT MANAGER'S REPORT

Last year was a pleasing one for Florin shareholders after the minor setback that we experienced in our first 6 months of operation. We were able to produce a profit of \$297,636 after allowing for tax, and all other expenses.

Florin's net assets increased from \$934,776 at the end of June 2005 to \$1,352,710 at the end of June 2006 this is an increase of 44.7% which compares very favourably with our peers in this sector.

On a pre-tax return basis, Florin's shareholders funds would have increased by 63.8%, which is approximately 18.9% in excess of the 53.7% the S&P ASX300 Resources Accumulation Index recorded for the period.

We remain positive on the outlook for the resource sector and intend to continue our strategy of investing in a range of resource stocks covering exploration, emerging and producing companies as well as spreading the risk over various sectors of the resources industry.

Most of our investment decisions are made on the basis of a good first hand knowledge of the company concerned and usually after a meeting or communication with the managing director or CEO. It would be safe to say, that we have made contact with some 100 odd companies over the last twelve months, most of which of course we have not invested in. This process gives us an exceptionally good knowledge of the mining market and an ability to assess companies and cross reference to confirm our decisions.

The net result of this is a portfolio with exposure to copper, gas, gold, iron ore, oil and uranium, over a number of different stocks.

Below we review briefly some of the shares in the portfolio in order to give Florin's shareholders a better understanding of some of their investments.

### **Compass Resources NL**

Compass Resources N.L. has the very exciting Browns Oxide project in the Northern Territory where they have just been given the green light by the Northern Territory Government to begin operations including construction and mining at the project near Batchelor in the Northern Territory. The mine will produce annually 10,000 tonnes of copper cathode, 1000 tonnes of cobalt chemicals and 850 tonnes of nickel chemicals over the next four years for export.

Compass recently raised \$30 million by issuing 12 million shares to Hunan Nonferrous Group (HNG) which is one of the largest non ferrous metal companies in China. This association with HNG assures Compass of sufficient funds to complete the development as well as providing a buyer for the off take from the mine.

The company also has some very promising uranium ground at Mount Fitch where they intend to continue their drilling program after delineating an encouraging uranium resource. We firmly believe in the future of Compass which so far has delivered excellent results for Florin shareholders. The company is well managed under the stewardship of Chairman Gordon Toll and MD Richard Swann.

### **Felix Resources Limited**

Felix Resources Limited is an Australian coal producer with three operating coal mines which produced 3.6 million tonnes of coal for the FY 2006. Key assets are the Yarrabee and the Minerva open cut coal mines in Queensland, the Ashton open cut coal mine plus the Ashton and Moolarben coal development underground project in NSW as well as Ultra Clean Coal Technology. Demand for coal is still strong and the recent takeover bids for Excel Coal have highlighted interest in the coal sector.

### **Golden Cross Resources Limited**

Golden Cross Resources Limited was a holding which we held at this time last year sold out of at a significant profit and consequently have reinvested in a placement well below our sale price. Since last year two significant events have occurred. The appointment of Kim Stanton-Cook as managing director and very encouraging drilling results from the Copper Hill project near Molong in NSW. We are very impressed with what they are doing and believe with Kim Stanton-Cook and the chairmanship of Chris Ryan this company can deliver the goods.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### Independence Group N L

Independence Group N L acquired the Long Nickel Mine in 2002. The mine is located in the Kambalda area which is noted as a world class nickel sulphide area. They have successfully gone into production and have extended the mine life to 2011. This successful mine gives them the cash to look for other projects either by discovery or acquisition. Independence has a number of nickel and gold projects on the go. They also have a very competent team headed up by Chris Bonwick which gives them the ability to bring projects to completion. Independence is also one of the few mining stocks currently paying a dividend.

### Northern Dynasty Minerals Ltd

Northern Dynasty Minerals Ltd owns the world class pebble Gold, copper and molybdenum project in Alaska which has been described as one of the World's most significant early stage mining projects. The project has an in ground situ resource with a gross value of US \$92 billion based on very conservative metal values. In June Kennecott Canada Exploration Inc. an affiliate of Rio Tinto acquired a 9.9% holding in the company. We believe this is a very exciting project with considerable upside for Florin.

### Red Hill Iron Limited

Red Hill Iron Limited is an exploration company holding tenements on the western margin of the Pilbara region of Western Australia. We see this company as having very significant iron ore potential and it also has a joint venture with Aquila Resources Limited which has been a successful iron ore producer in its own right. It has a very impressive board including Joshua Pitt who has an impressive track record for mineral exploration and discovery.

### Unor Inc

Unor Inc is a mineral exploration company whose primary focus is exploring for uranium in the Hornby Bay Basin in Canada's North West Territories. A significant event which caught our attention was the private placement of shares with Cameco Corporation and the forging of a Strategic Alliance Agreement between the two companies. Cameco which is the worlds largest listed uranium company has emerged from all this with 19.5% of Unor's capital.

### White Energy Corporation Limited

White Energy Corporation Limited is a slightly different type of resource stock in that it has a technology for taking the moisture out of brown coal which reduces the weight for transportation whilst converting relatively poor quality coal into a higher quality more environmentally friendly product. This results in achieving a higher sale price for what was considered a poor product. White Energy has recently entered into a joint agreement with P.T. Bayan Resources which is the eighth largest coal miner in Indonesia.

We believe that the continued growth in India and China will continue to fuel the resource sector. Notwithstanding that, there is sure to be ups and downs, corrections and pessimism expressed by the press. We believe that by carefully choosing our investments we can continue to be successful in investing in the mining industry.

The following table shows the progress of Florin Mining Investment Company Limited:

Year	Dividends Cents Per Share	Net Profit /(loss) \$	Contributed Capital \$	Issued Ordinary Shares	Net Assets \$
2005	-	(54,070)	977,073	5,127,502	934,776
2006	-	297,635	977,073	5,127,502	1,352,710

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### Investment Objectives

The investment objectives of Florin Mining Investment Company Limited, are to:

- Preserve the capital of the Company;
- Achieve a high real rate of return, comprising both income and capital growth; and
- Generally, to limit the investments of the Company to natural resource companies being those companies:
  - \* who derive a significant proportion of their revenues from the mining of base and precious metals, industrial minerals, and bulk commodities, the production of oil and gas or geothermal energy; or
  - \* have a significant proportion of their assets invested, or they propose to invest a significant proportion of their assets, in activities involved in the exploration for base and precious metals, industrial minerals, and bulk commodities, the production of oil and gas or geothermal energy.

### Investment Philosophy

The Manager seeks to maximise the capital growth of the Company's portfolio by investing in natural resource companies. Investments are primarily in mining or exploration companies – that are either producing or exploring for base and precious metals, industrial minerals and bulk commodities. From time to time the portfolio may have exposure to oil, gas and geothermal energy companies.

Whilst in making its investment decisions the Manager will generally take a medium to long term view, it may however, from time to time acquire investments with a view to profit through short term trading opportunities.

The Manager:

- focuses on the investment merits of individual stocks rather than market and economic trends; and
- seeks to invest in shares which it assesses to be undervalued relative to their longer term growth prospects.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### Details Of Investments Held as at 30 June 2006

Name of the Investment	Holding	Market Value	Portfolio %
<b>Investment Portfolio</b>			
<b>Australian Equities</b>			
Australian Onshore Energy Fund	150	9,975	0.66
Australian Oil Company Limited Option 31/12/09	50,000	1,050	0.07
Avoca Resources Limited	50,000	35,000	2.32
Aurox Resources Limited	20,000	11,000	0.73
Citic Australia Trading Limited	20,000	11,600	0.77
CBH Resources Limited	90,000	25,200	1.67
Compass Resources NL	25,000	85,000	5.64
Equatorial Mining Limited	4,000	27,280	1.81
Heron Resources Limited	40,000	23,200	1.54
Independence Group NL	25,000	68,000	4.51
Kingsgate Consolidated NL	13,000	66,820	4.43
Mincor Resources NL	25,000	23,625	1.57
Red Hill Iron Limited	50,000	45,000	2.99
Traka Resources Limited	133,333	15,333	1.02
Zinico Resources NL	50,000	7,750	0.51
Zinico Resources NL Options 31/12/2007	50,000	2,800	0.19
<b>Total Australian Equities</b>		<b>458,633</b>	<b>30.42</b>
<b>Total Investment Portfolio</b>			
		<b>458,633</b>	<b>30.42</b>
<b>Trading Portfolio</b>			
<b>Australian Equities</b>			
Australasia Gold Limited Option Exp 30/06/2008	25,000	1,250	0.08
Accent Resources NL Option 30/09/2009	200,000	10,000	0.66
Alkane Exploration Limited	145,600	24,024	1.59
Amerod Resources Limited	132,632	132,632	8.80
Amerod Resources Limited – Unlisted Options	2,632	-	0.00
BHP Billiton Limited	2,411	69,919	4.64
Compass Resources NL	10,000	34,000	2.26
Curnomona Energy Limited	90,000	27,000	1.79
DE Grey Mining Limited	200,000	24,000	1.59
Dominion Mining Limited	96,298	113,632	7.54
East Coast Minerals NL	100,000	23,000	1.53

## INVESTMENT MANAGER'S REPORT (CONTINUED)

Gryphon Minerals Limited	80,000	21,600	1.43
Havilah Resources NL	63,089	37,538	2.49
Halcyon Group Limited	1,100,000	18,700	1.24
Hampton Hill Mining NL	314,000	39,250	2.60
Malachite Resources NL	350,000	57,750	3.83
Magma Metals Limited	125,000	18,750	1.24
Murchison Metals Ltd – Options 30/11/07	25,000	12,500	0.83
Mithril Resources Limited	75,000	21,750	1.44
Metals Explorations Limited	5,000	4,000	0.27
Maximus Resources Limited	100,000	12,500	0.83
Platina Resources Limited	100,000	19,000	1.26
Redbank Mines Limited	107,897	11,329	0.75
Redbank Mines Limited Options 31/05/2008	100,000	2,000	0.13
Red Metal Limited	50,000	11,500	0.76
Traka Resources Limited	211,333	24,304	1.61
Vital Metals Limited	105,000	21,000	1.39
Zinico Resources NL	50,000	7,750	0.51
Zinico Resources NL Options 31/12/2007	300,000	16,800	1.11
<b>Total Australian Equities</b>		<b>817,478</b>	<b>54.23</b>
<b>International Equities</b>			
Heritage Gold NZ Limited	479,750	19,190	1.27
Heritage Gold NZ Limited Options	40,000	520	0.03
Apogee Minerals Limited	50,000	47,500	3.15
IGC Resources Inc	35,000	23,800	1.58
Northern Dynasty Minerals Limited	3,000	35,520	2.36
SXR Uranium One Inc	7,000	71,750	4.76
UNOR Inc	10,000	6,700	0.44
<b>Total International Equities</b>		<b>204,980</b>	<b>13.60</b>
<b>Total Trading Portfolio</b>		<b>1,022,457</b>	<b>67.83</b>
<b>Cash</b>			
Ing Bank (Aust) Limited – Business Optimiser Account		9	0.00
National Australia Trustees Limited Common Fund Account		26,385	1.75
<b>Total Cash</b>		<b>26,394</b>	<b>1.75</b>
<b>Total Portfolios</b>		<b>1,507,485</b>	<b>100.00</b>



## CORPORATE GOVERNANCE STATEMENT

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance shareholders interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and nature of activities.

The main corporate governance policies are summarised below.

### **Appointment and Retirement of Non-Executive Directors**

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case by case basis and on conformity with the requirements of the Listing Rules and the Corporations Act.

### **Director's Access to Independent Professional Advice**

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with the terms of reference established by the Board.

### **Audit Committee**

The Audit Committee intends to meet with the external auditors at least twice a year. This committee addresses the financial and compliance oversight responsibilities of the Board. The specific activities include assessing and monitoring:

- The adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations.
- The adequacy of the financial risk management processes.
- The appointment of the external auditor, any reports prepared by the external auditor and liaising with the external auditor.

### **Board Participation in Management**

Under the Management Agreements, the Manager has discretion to acquire and dispose of investments on behalf of the Company. Investments consistent with the Investment Guidelines may be undertaken without consultation with the Board.

Any proposed investment that does not fall within this Investment Strategy or any change in the Investment Strategy proposed by the Manager requires the prior approval of the Board which may be withheld in its absolute discretion.

## DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

### Directors

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

Victor Gowan Burley  
Robert Franklin Cameron  
Steven Pritchard  
Daniel Di Stefano

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

### Company Secretary

The following person held the position of company secretary at the end of the financial year:

Daniel Di Stefano held the position of company secretary at the end of the financial year. Further details in respect of the qualifications of the Company Secretary are contained in the Information on Directors.

### Principal Activities

The principal activity of the Company during the financial year was making medium to long term investments in securities.

There were no significant changes in the nature of the Company's principal activities during the financial year.

### Operating Results

The profit of the company after providing for income tax amounted to \$297,635 ( 2005: (54,070) ).

### Dividends Paid or Recommended

No dividends were paid or declared during the period. No dividend will be recommended by the directors for declaration at the forthcoming Annual General Meeting.

### Review of Operations

The Company's total return for the period was 44.4% as measured by the movement in the net asset backing per share.

Shareholders equity increased by \$417,934 to \$1,352,710 or 44.71% for the year.

The manager was able to generate a good result from the trading portfolio, with overall revenue from the trading portfolio increasing by \$640,558 to \$576,881. Further information on the operation's of the Company are included in the Investment Manager's report.

### Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

### Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 27 to this report.

### After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the company, the results of those operations, or the state of affairs of the company in the future.

## DIRECTORS' REPORT (CONTINUED)

### Future Developments, Prospects and Business Strategies

The Company will continue to pursue its investment objectives for the long-term benefit of members. This will require the continued review of the investment strategy that is in place and may require some changes to that strategy.

Further information on likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

### Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under the law of the Commonwealth and State.

### Information on Directors

#### Victor Gowan Burley

– Chairman (Executive)

#### Qualifications

– Bachelor of Engineering (Honours 1), Master of Building Science, Graduate of Institute of Engineers of Australia

#### Experience

– Appointed Chairman 2004. Board member since 2004

#### Interest in Shares and Options

– 270,000 Ordinary Shares in Florin Mining Investment Company Limited and options to acquire a further 500,000 ordinary shares

#### Special Responsibilities

– Victor Gowan Burley is a Member of the Audit Committee

#### Robert Franklin Cameron

Director (Executive)

#### Qualifications

– Member of Australian Stock Exchange Limited, Affiliate of Securities Institute of Australia

#### Experience

– Board member since 2004

#### Interest in Shares and Options

– 470,000 Ordinary Shares in Florin Mining Investment Company Limited and options to acquire a further 920,000 ordinary shares

#### Special Responsibilities

– Robert Franklin Cameron is a Member of the Audit Committee

#### Directorships held in other

– Current director of Winpar Holdings Limited (since 12 June 1986), Pritchard Equity Limited listed entities (since 10 May 2002)

#### Steven Shane Pritchard

– Director (Executive)

#### Qualifications Institute

– Bachelor of Commerce, Certified Practising Accountant, Registered Tax Agent, Fellow Taxation of Australia, Graduate Diploma Applied Finance and Investment, and Fellow of Financial Services Institute of Australasia

#### Experience

– Board member since 2004

#### Interest in Shares and Options

– 374,901 Ordinary Shares in Florin Mining Investment Company Limited and options to acquire a further 645,000 ordinary shares

#### Special Responsibilities

– Steven Pritchard is a Member of the Audit Committee

#### Directorships held in other

– Current director of Illuminator Investment Company Limited (since 22 December 2003), Pritchard listed entities Equity Limited (since 10 May 2002) and Winpar Holdings Limited (since 4 July 2004)

## DIRECTORS' REPORT (CONTINUED)

<b>Daniel Di Stefano</b>	–	Director (Executive) and Company Secretary
Qualifications	–	Bachelor of Commerce; Certified Practising Accountant, Graduate Diploma of Applied Finance and Investment, Fellow of Financial Services Institute of Australasia
Experience	–	Board member and company secretary since 2004
Interest in Shares and Options	–	257,401 Ordinary Shares of Florin Mining Investment Company Limited and options to acquire a further 450,000 ordinary shares
Special Responsibilities	–	Daniel Di Stefano is a Member of the Audit Committee
Directorships held in other listed entities	–	Current director of Illuminator Investment Company Limited (since 22 December 2003)

### REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Florin Mining Investment Company Limited, and for the executives receiving the highest remuneration.

#### Remuneration policy

All issues in relation to remuneration of both Executive Directors and Non-Executive Directors are dealt with by the board of the Company.

The constitution of Florin Mining Investment Company Limited requires approval by the shareholders in general meetings of a maximum amount of remuneration per year to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general lever of fees paid to Directors. The amount of remuneration currently approved by shareholders for Non-Executive Directors is a maximum of \$80,000 per annum.

Non-Executive Directors hold office until such time as they retire, resign or are removed from office under the terms set out in the constitution of the Company.

Non-Executive Directors do not receive any performance based remuneration.

#### Remuneration Report

##### Details of remuneration for year ended 30 June 2006

Details of the remuneration for each Director of the Company was as follows:

<b>2006</b>	Salary & Fees \$	Superannuation Contributions \$	Other \$	Total \$
Victor Gowan Burley	-	-	-	-
Robert Franklin Cameron	-	-	-	-
Steven Shane Pritchard	-	-	-	-
Daniel Di Stefano	-	-	-	-

<b>2005</b>	Salary & Fees \$	Superannuation Contributions \$	Other \$	Total \$
Victor Gowan Burley	-	-	-	-
Robert Franklin Cameron	-	-	-	-
Steven Shane Pritchard	-	-	-	-
Daniel Di Stefano	-	-	-	-

## DIRECTORS' REPORT (CONTINUED)

### Executives' Remuneration

Executives are officers who are involved in, or concerned with, or who take part in the management of the affairs of the Company.

The Company has only three executives, RF Cameron, SS Pritchard and D Di Stefano. As all of the Executives are Directors of the Company, remuneration in respect of those Executive Directors is included in Directors' Remuneration.

### Shareholdings

#### Number of Shares Held by Directors

	Balance 30.06.2005	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.2006
Victor Gowan Burley	270,000	-	-	-	270,000
Robert Franklin Cameron	450,000	-	-	20,000	470,000
Steven Shane Pritchard	342,501	-	-	32,400	374,901
Daniel Di Stefano	225,001	-	-	32,400	257,401
<b>Total</b>	<b>1,277,502</b>	<b>-</b>	<b>-</b>	<b>84,800</b>	<b>1,372,302</b>

### Optionsholdings

#### Number of Options Held by Directors

##### Series A Options

	Balance 30.06.2005	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.2006	Total Exercisable 30.6.2006
Victor Gowan Burley	250,000	-	-	-	250,000	250,000
Robert Franklin Cameron	460,000	-	-	-	460,000	460,000
Steven Shane Pritchard	322,500	-	-	-	322,500	322,500
Daniel Di Stefano	225,000	-	-	-	225,000	225,000
<b>Total</b>	<b>1,257,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,257,500</b>	<b>1,257,500</b>

##### Series B Options

	Balance 30.06.2005	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.2006	Total Exercisable 30.6.2006
Victor Gowan Burley	250,000	-	-	-	250,000	250,000
Robert Franklin Cameron	460,000	-	-	-	460,000	460,000
Steven Shane Pritchard	322,500	-	-	-	322,500	322,500
Daniel Di Stefano	225,000	-	-	-	225,000	225,000
<b>Total</b>	<b>1,257,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,257,500</b>	<b>1,257,500</b>

## DIRECTORS' REPORT (CONTINUED)

### Meetings of Directors

During the financial year, 4 meetings of directors (including committees) were held. Attendances were:

	DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Victor Gowan Burley	4	4	1	1
Robert Franklin Cameron	4	4	1	1
Steven Shane Pritchard	4	4	1	1
Daniel Di Stefano	4	4	1	1

### Options

At the date of this report, the unissued ordinary shares of Florin Mining Investment Company Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
3 February 2005	15 December 2006	\$0.25	5,127,500
3 February 2005	15 December 2008	\$0.40	5,127,500

During the year ended 30 June 2006 no shares were issued pursuant to the exercise of any options. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### Indemnifying Officers or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

### Proceedings on Behalf of Company

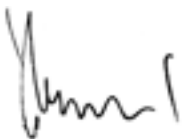
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 13 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.



**Steven Shane Pritchard**  
Director



**Daniel Di Stefano**  
Director

Dated this 28 day of September 2006.

DIRECTORS' REPORT (CONTINUED)



**AUDITORS INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF FLORIN MINING LIMITED**

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

As lead audit partner for the audit of Florin Mining Limited financial statements for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in cursive script, appearing to read 'VJ Lewis', is written over the printed name 'VJ Lewis'.

FORSYTHES

VJ Lewis  
Partner  
Chartered Accountants

NEWCASTLE  
28 September 2006

## INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Income from investment portfolio	2	5,012	1,110
Income from trading portfolio	2	576,881	(63,677)
Income from deposits		1,368	8,865
<b>Total income from ordinary activities</b>		<b>583,261</b>	<b>(53,702)</b>
Administration expenses		(51,757)	(20,145)
Borrowing costs expense		(1,477)	(14)
Management fees		(13,514)	(3,703)
Performance fees		(113,978)	-
<b>Operating profit before income tax and realised gains/(losses) on the investment portfolio</b>	<b>3</b>	<b>402,535</b>	<b>(77,564)</b>
Income tax (expense)/credit relating to ordinary activities *	4	(109,658)	23,494
<b>Operating profit before realised gains/(losses) on the investment portfolio</b>		<b>292,877</b>	<b>(54,070)</b>
Realised gains/(losses) on the investment portfolio		6,798	-
Income tax (expense)/credit thereon *	4	(2,039)	-
Net realised gains on investment portfolio		4,759	-
<b>Profit attributable to members of the company</b>		<b>297,636</b>	<b>(54,070)</b>
<b>Overall Operations</b>			
Basic earnings per share (cents per share)	7	5.80	-1.05
Diluted earnings per share (cents per share)	7	5.80	-1.05
* Total tax expense / (benefit)		111,697	(23,494)

The accompanying notes form part of these financial statements.



**BALANCE SHEET AS AT 30 JUNE 2006**

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	26,394	63,564
Trade and other receivables	9	108,247	1,657
Trading Portfolio	10	1,022,457	538,976
Other	11	14,686	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,171,784</b>	<b>604,197</b>
<b>NON-CURRENT ASSETS</b>			
Investment Portfolio	12	458,633	304,922
Deferred tax assets	13	20,192	48,775
<b>TOTAL NON-CURRENT ASSETS</b>		<b>478,825</b>	<b>353,697</b>
<b>TOTAL ASSETS</b>		<b>1,650,609</b>	<b>957,894</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables	14	126,923	13,546
Borrowings	15	26,734	-
Current tax liabilities	16	83,201	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>236,858</b>	<b>13,546</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	17	61,041	9,572
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>61,041</b>	<b>9,572</b>
<b>TOTAL LIABILITIES</b>		<b>297,899</b>	<b>23,118</b>
<b>NET ASSETS</b>		<b>1,352,710</b>	<b>934,776</b>
<b>EQUITY</b>			
Contributed equity	18	977,073	977,073
Reserves	19	136,829	11,773
Retained earnings		238,808	(54,070)
<b>TOTAL EQUITY</b>		<b>1,352,710</b>	<b>934,776</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	Issued Capital	Retained Profits	Capital Profits Reserve	Investment Revaluation Reserve	Total
		\$	\$	\$	\$	\$
<b>Balance at 1 July 2004</b>	-	-	-	-	-	-
Issued shares – Initial public offer	18	956,319				956,319
Other issued capital adjustments		20,754				20,754
Profit / (Loss) for the year			(54,070)			(54,070)
Revaluation of investment portfolio (net of tax)	19b				11,773	11,773
Transfers between reserves	19					
<b>Balance at 30 June 2005</b>		<b>977,073</b>	<b>(54,070)</b>	<b>-</b>	<b>11,773</b>	<b>934,776</b>
<b>Balance at 1 July 2005</b>		<b>977,073</b>	<b>(54,070)</b>	<b>-</b>	<b>11,773</b>	<b>934,776</b>
Profit for the year			297,636			297,636
Revaluation of investment portfolio (net of tax)	19b	-	-	-	120,298	120,298
Transfers between reserves	19a	-	(4,758)	4,758	-	-
<b>Balance at 30 June 2006</b>		<b>977,073</b>	<b>238,808</b>	<b>4,758</b>	<b>132,071</b>	<b>1,352,710</b>

The accompanying notes form part of these financial statements.

**CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Sales from trading portfolio		1,529,484	152,540
Purchases for trading portfolio		(1,532,212)	(755,194)
Dividends received		39,570	1,110
Interest received		2,015	8,218
		<u>38,857</u>	<u>(593,326)</u>
Administration expenses		(52,624)	(7,582)
Bank charges		(403)	(14)
Borrowing costs		(1,025)	-
Management fees		(12,964)	(2,947)
Performance fees		-	-
Other payments		(2,073)	(782)
<b>Net cash (used in) operating activities</b>	<b>21</b>	<b><u>(30,232)</u></b>	<b><u>(604,651)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales from investment portfolio		243,232	-
Purchases for investment portfolio		(276,452)	(288,104)
<b>Net cash (used in) investing activities</b>		<b><u>(33,220)</u></b>	<b><u>(288,104)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	1,025,500
Initial public offer costs		-	(69,181)
Proceeds from borrowings		135,444	-
Repayment of borrowings		(131,738)	-
<b>Net cash provided by financing activities</b>		<b><u>(3,706)</u></b>	<b><u>(956,319)</u></b>
Net increase (decrease) in cash held		(59,746)	63,564
Cash at beginning of financial year		63,564	-
<b>Cash at end of financial year</b>	<b>8</b>	<b><u>3,818</u></b>	<b><u>63,564</u></b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Florin Mining Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Florin Mining Investment Company Limited as an individual entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

#### **Basis of Preparation**

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

Florin Mining Investment Company Limited as an individual entity has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

Judgements made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 27 to this report.

##### *Reporting Basis and Conventions*

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### Accounting Policies

#### a. Investment and Trading Portfolios

##### (i) Balance Sheet classification

The Company has two portfolios of securities, the investment portfolio and the trading portfolio.

The investment portfolio relates to holdings of securities which the directors intend to retain on a long-term basis.

The trading portfolio comprises securities held for short term trading purposes.

The investment portfolio is classified as a 'non-current asset', whereas the trading portfolio is classified as a 'current asset'.

Ordinary securities within the investment portfolio are classified as 'assets available for sale', whilst securities within the trading portfolio are classified as 'assets measured at fair value through the Income Statement'.

##### (ii) Valuation of investment portfolio

Securities, including listed and unlisted shares and notes and options, are initially brought to account at cost, which is the cost of acquisition including transaction costs, and are revalued to market values continuously. Increments and decrements on Ordinary Securities are taken to the Investment Revaluation Reserve while it has a credit balance in total, otherwise they are included in Profit from ordinary activities before income tax expense.

Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Investment Revaluation Reserve to the Income Statement. Subsequently, any revaluation or decrement to the extent of a capital profits reserve balance relating to the disposal of an investment is transferred to the Capital Profits Reserve.

##### (iii) Valuation of trading portfolio

Securities, including listed and unlisted shares and notes, are initially brought to account at cost which is the cost of acquisition including transaction costs and are revalued to market values continuously.

Increments and decrements on the value of securities in the trading portfolio are taken directly through to the Income Statement.

##### (iv) Determination of market value

Market value for the purposes of valuing holdings of securities is determined by reference to market prices prevailing at balance date, predominantly last sale price, where the securities are traded on an organised market. Where a security is not so traded, its fair value is determined by the Directors.

##### (v) Income from holdings of securities

Distributions relating to listed securities are recognised as income when those securities are quoted ex-distribution basis and distributions relating to unlisted securities are recognised as income when received. If the distributions are capital returns on ordinary securities the amount of the distribution is treated as an adjustment to the carry value of the securities.

#### b. Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of the Company approximates their carrying value.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)**

**c. Income Tax**

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

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

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

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

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

**d. Cash and Cash Equivalents**

Cash

overdrafts are shown within borrowings in current liabilities on the balance sheet.

**e. Initial Public Offer Costs**

The costs incurred in the establishment of the Company and its subsequent initial public offer have been charged directly against contributed equity.

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

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

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

**g. Comparative Figures**

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

**h. Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency using the exchange rates applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of foreign exchange ruling at that date.

**i. Borrowings**

The Company is party to an agreement under which BT Securities Limited have agreed to accept listed securities beneficially held by the Company as security under the loan facility.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)**

**NOTE 2: REVENUE**

	Note	2006 \$	2005 \$
<b>a. Income from Investment Portfolio</b>			
- dividends received		5,012	1,110
<b>Total Income from Investment Portfolio</b>		<u>5,012</u>	<u>1,110</u>
<b>b. Income from Trading Portfolio</b>			
- sales revenue		1,576,277	152,540
- cost of sales		(1,034,270)	(216,217)
- Net gains/(losses) from trading portfolio sales		542,007	(63,677)
- dividends received		34,874	-
- <b>Total Income from Trading Portfolio</b>		<u>576,881</u>	<u>(63,677)</u>
<b>c. Income from deposits</b>			
- interest income		1,368	8,865
Total income from deposits		<u>1,368</u>	<u>8,865</u>
<b>Total Revenue</b>		<u>583,261</u>	<u>(53,702)</u>

**NOTE 3: PROFIT FOR THE YEAR**

	Note	2006 \$	2005 \$
Operating profit before income tax has been determined after:			
<b>Expenses</b>			
Administration expenses		46,346	17,522
Bank expenses		412	540
Borrowing costs		1,477	14
Listing fees		5,000	2,083
Management fees		13,513	3,703
Performance fees		113,978	-
Profit/(loss) from operating activities before income tax and realised gains on the investment portfolio		<u>402,535</u>	<u>(77,564)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 4: INCOME TAX EXPENSE

	Note	2006 \$	2005 \$
<b>a. The components of tax expense comprise:</b>			
Current tax provision		83,201	-
(Increase) / decrease in deferred tax assets – other		28,496	(23,494)
		<u>111,697</u>	<u>(23,494)</u>
<b>b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:</b>			
Operating profit / (loss) before income tax expense and realised gains on investment portfolio		402,535	(77,564)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)		120,761	(23,269)
Add:			
Tax effect of:			
- Imputation gross-up on dividends received		4,758	96
- Franking credits on dividends received		(15,861)	(321)
Income tax expense on operating profit before realised gains on investment portfolio		<u>109,658</u>	<u>(23,494)</u>
Realised gains (losses) on investment portfolio		6,797	-
Prima facie tax payable (credit) calculated at 30% (2005: 30%)		2,039	-
Income tax expense (credit) on realised gains (losses) on investment portfolio		<u>2,039</u>	<u>-</u>
Total income tax expense (credit)		<u>111,697</u>	<u>(23,494)</u>
<b>c. Amounts recognised directly in equity</b>			
Increase / (decrease) in deferred tax liabilities relating to capital gains on the increase in unrealised gains on securities in the investment portfolio		51,469	9,572
(Increase) / decrease in deferred tax assets relating to capital losses on the increase in unrealised losses on securities in the investment portfolio		88	(4,527)
		<u>51,557</u>	<u>5,045</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)**

**NOTE 5: AUDITORS' REMUNERATION**

	Note	2006 \$	2005 \$
Remuneration of the auditor of the company for: Forsythes			
- auditing or reviewing the financial report		6,300	5,000

**NOTE 6: DIVIDENDS**

	Note	2006 \$	2005 \$
<b>a. Dividends Paid or Declared</b> There were no dividends paid or declared in the financial year.		-	-
<b>b. Franking Account</b> Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables and it does not reflect the impact of dividends declared after balance date.		99,383	321

**NOTE 7: EARNINGS PER SHARE**

	Note	2006 Number	2005 Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share		5,127,502	5,127,502
Weighted average number of options outstanding		10,255,000	10,255,000
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive earnings per share		5,127,502	5,127,502
<b>a. Basic and diluted earnings per share</b>		<b>\$</b>	<b>\$</b>
Profit / (Loss) attributable to members of the company		297,635	(54,070)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share including realised gains(losses) on the investment portfolio		5.80	-1.05
Diluted earnings per share including realised gains(losses) on the investment portfolio		5.80	-1.05

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 7: EARNINGS PER SHARE (CONTINUED)

	Note	2006 \$	2005 \$
<b>b. Basic and diluted operating earnings per share excluding realised gains/(losses) on the investment portfolio</b>			
Operating profit before realised gains/(losses) on the investment portfolio		292,877	(54,070)
		Cents	Cents
Basic operating earnings per share excluding realised gains/(losses) on the investment portfolio		5.71	-1.05
Diluted operating earnings per share excluding realised gains/(losses) on the investment portfolio		5.71	-1.05
<b>c. Classification of securities</b>		<b>Number</b>	<b>Number</b>
The following potential ordinary shares are not dilutive and therefore excluded from the weighted average number of ordinary shares for the purposes of dilutive earnings per share:			
- Options outstanding		10,255,000	10,255,000

### NOTE 8: CASH AND CASH EQUIVALENTS

	Note	2006 \$	2005 \$
Cash at bank and in hand		-	1,485
Deposits at call		26,394	62,079
		<u>26,394</u>	<u>63,564</u>

The effective interest rate on deposits at call was 4.80% (2005: 4.7%).

The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

#### Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		26,394	63,564
Bank overdrafts		(22,576)	-
		<u>3,818</u>	<u>63,564</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)**

**NOTE 9: TRADE AND OTHER RECEIVABLES**

	Note	2006 \$	2005 \$
CURRENT			
Outstanding settlements – investment portfolio		58,120	-
Outstanding settlements – trading portfolio		46,752	-
Other debtors		3,375	1,657
		<u>108,247</u>	<u>1,657</u>

Receivables are non-interest bearing and unsecured.  
The credit risk exposure of the Company in relation to receivables is the carrying amount.

**NOTE 10: TRADING PORTFOLIO**

	Note	2006 \$	2005 \$
CURRENT			
Listed investments, at market value			
- Shares		979,907	536,101
- Options		42,550	2,875
		<u>1,022,457</u>	<u>538,976</u>

**NOTE 11: OTHER ASSETS**

	Note	2006 \$	2005 \$
New security issue applications		14,461	-
Prepayments		225	-
		<u>14,686</u>	<u>-</u>

**NOTE 12: INVESTMENT PORTFOLIO**

	Note	2006 \$	2005 \$
NON-CURRENT			
Listed investments, at market value			
- Fixed interest securities		25,200	13,000
- Shares		3,850	-
- Options		429,583	291,922
		<u>458,633</u>	<u>304,922</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 13: DEFERRED TAX ASSETS

	Note	2006 \$	2005 \$
Deferred tax asset			
The deferred tax asset is made up of the following estimated tax benefits:			
- Tax losses		-	20,630
- Timing differences		20,192	28,145
		<u>20,192</u>	<u>48,775</u>

### NOTE 14: PAYABLES

	Note	2006 \$	2005 \$
CURRENT			
Sundry creditors and accrued expenses		<u>126,923</u>	<u>13,546</u>

### NOTE 15: BORROWINGS

	Note	2006 \$	2005 \$
CURRENT			
Overdraft		22,576	-
Short-term borrowings – secured		4,158	-
		<u>26,734</u>	<u>-</u>

The above short-term borrowings are secured by listed securities held in the company's investment and trading portfolio's, whilst the overdraft is unsecured. Repayment of the facility is done either through the use of cash received from dividends and distributions or the sale of securities.

### NOTE 16: TAX LIABILITIES

	Note	2006 \$	2005 \$
CURRENT			
Income tax payable		<u>83,201</u>	<u>-</u>

### NOTE 17: DEFERRED TAX LIABILITIES

	Note	2006 \$	2005 \$
NON-CURRENT			
Provision for deferred income tax attributable to:			
- Deferred capital gains tax		<u>61,041</u>	<u>9,572</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)**

**NOTE 18: CONTRIBUTED EQUITY**

	Note	2006 \$	2005 \$
5,127,502 (2005: 5,127,502) fully paid ordinary shares	18a	977,073	977,073
<b>a. Ordinary shares</b>			
At the beginning of reporting period		977,073	-
Shares issued during the year			
- 2 on 29 September 2004		-	1
- 5,127,500 on 3 February 2005		-	1,025,499
Transaction costs relating to share issues		-	(48,427)
At the end of reporting period		977,073	977,073

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**b. Options**

On 3 February 2005, 5,127,500 Series A options were granted to the holders of ordinary shares at an exercise price of \$0.25 each. The option is exercisable on or before 15 December 2006.

On 3 February 2005, 5,127,500 Series B options were granted to the holders of ordinary shares at an exercise price of \$0.40 each. The option is exercisable on or before 15 December 2008.

At 30 June 2006 there were 10,255,000 (2005:10,255,000) unissued ordinary shares for which options were outstanding. The options carry no rights to dividends and no voting rights.

**NOTE 19: RESERVES**

	Note	2006 \$	2005 \$
Capital profits	19a	4,758	-
Investment revaluation	19b	132,071	11,773
		136,829	11,773
<b>19a. Capital Profits Reserve</b>			
<b>Movements During the Year</b>			
Opening balance		-	-
Transfer (to) / from retained earnings		4,758	-
Closing Balance		4,758	-

The capital profits reserve records capital profits made upon the sale of investments in the Company's investment portfolio.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 19: RESERVES (CONTINUED)

	Note	2006 \$	2005 \$
<b>19b. Investment Revaluation Reserve Movements During the Year</b>			
Opening balance		11,773	-
Revaluation of the investment portfolio (net of tax)		120,298	11,773
Closing Balance		<u>132,071</u>	<u>11,773</u>

The investment revaluation reserve records revaluations of the Company's investment portfolio

### NOTE 20: SEGMENT REPORTING

The Company operates in one business segment, being that of a listed investment company. The Company operates from Australia only and therefore has only one geographical segment. However the Company has investment exposures in different countries which are shown below. The Company invests in securities listed on overseas stock exchanges. Details of the geographical exposures are as follows:

2006	Revenue \$	Unrealised Gains \$	Market Value \$	Portfolio %
Australia	39,886	374,959	1,276,111	84.65
Canada	-	11,165	23,800	1.58
New Zealand	-	(13,374)	19,710	1.31
United States of America	-	39,886	161,470	10.71
<b>Sub Total</b>	39,886	411,917	1,481,091	98.25
Cash	1,368	-	26,394	1.75
<b>Total</b>	41,254	411,917	1,507,485	100.00

2006	Revenue \$	Unrealised Gains \$	Market Value \$	Portfolio %
Australia	1,110	(60,263)	805,877	88.95
United States of America	-	1,731	38,022	4.20
<b>Sub Total</b>	1,110	(58,532)	843,899	93.15
Cash	8,865	-	62,079	6.85
<b>Total</b>	9,975	(58,532)	905,978	100.00

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)**

**NOTE 21: CASH FLOW INFORMATION**

	Note	2006 \$	2005 \$
<b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>			
Profit / (loss) after income tax		297,636	(54,070)
Cash flows excluded from profit attributable to operating activities			
Net realised (gains) / losses on the investment portfolio		(4,759)	
(Increase)/decrease in current receivables		(50,016)	(1,657)
(Increase)/decrease in the trading portfolio		(483,481)	(538,976)
(Increase)/decrease in the new security issue applications		(14,461)	-
(Increase)/decrease in prepayments		(225)	-
Increase/(decrease) in current payables		113,376	13,546
Increase/(decrease) in income taxes balances		111,697	(23,494)
Cash flow from operations		<u>(30,232)</u>	<u>(604,651)</u>

**NOTE 22: RELATED PARTY TRANSACTIONS**

	Note	2006 \$	2005 \$
Transactions with related parties:			
– Rees Pritchard Pty. Limited for accounting fees.		24,358	19,000
Steven Pritchard is interested in the above transactions as a director and a beneficial shareholder of Rees Pritchard Pty. Limited.			
– Cameron Stockbrokers Limited for reimbursement of initial public offer costs.		-	24,438
– Cameron Stockbrokers Limited for handling fees on subscriptions made under the initial offer of shares in the Company.		-	20,510
– Cameron Stockbrokers Limited for brokerage fees.		33,709	9,717
– Cameron Stockbrokers Limited for Investment management and performance fees.		127,491	3,702
Steven Pritchard and Robert Cameron have an interest in the above transactions as directors of Cameron Stockbrokers Limited and as directors and beneficial shareholders of Cameron Capital Limited.			
Daniel Di Stefano is interested in the above transaction as a director and beneficial shareholder of Cameron Capital Limited.			
Cameron Stockbrokers Limited is a wholly owned subsidiary of Cameron Capital Limited.			

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 22: RELATED PARTY TRANSACTIONS (CONTINUED)

	Note	2006 \$	2005 \$
– Pritchard & Partners Pty Limited for handling fees		-	5,806
Steven Pritchard is interested in the above transaction as a director and beneficial shareholder of Pritchard & Partners Pty. Limited.			
– Newcastle Capital Markets Registries Pty. Limited for share registry costs		6,070	4,299
Steven Pritchard is interested in the above transaction as a director and beneficial shareholder of Newcastle Capital Markets Registries Pty. Limited.			

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

### NOTE 23: DIRECTORS AND EXECUTIVES DISCLOSURE

In accordance with the Corporations Amendments Regulation 2005 (No.4) the Company has transferred the disclosure required by AASB 1046 from the notes to the Financial Statements to the Directors' Report under the heading of Remuneration Report.

### NOTE 24: INVESTMENT TRANSACTIONS

The total number of contract notes that were issued for transactions in investments during the year was 341 (2005: 63). Each contract note may involve multiple transactions. The total brokerage paid on these contract notes was \$33,709 (2005: \$9,717).

### NOTE 25: COMPANY DETAILS

The registered office of the Company is:

10 Murray Street  
HAMILTON NEW SOUTH WALES 2303

The principle place of business is:

10 Spring Street  
SYDNEY NEW SOUTH WALES 2000



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 26: FINANCIAL RISK MANAGEMENT

Accounting Standards identify three types of risk associated with financial instruments (i.e. the Company's investments, receivables, payables and borrowings):

**a. Credit Risk**

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk is managed as noted in the Notes to the financial statements with respect to cash and trade and other receivables. None of these assets are over-due or considered to be impaired.

**b. Liquidity Risk**

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company monitors its cash-flow requirements and ensures that it has either cash or access to short term borrowing facilities sufficient to meet any payments.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

**c. Market Risk**

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price.

By its nature as the Company invests a substantial proportion of its assets in tradeable securities the Company is always subject to market risk as it invests its capital in securities where are not risk free i.e. the market price of these securities can fluctuate.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 27: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

	Note	Previous GAAP at 30.6.2005	Adjustments on introduction of Australian equivalents to IFRS \$	Australian equivalents to IFRS at at 30.6.2005 \$
<b>Reconciliation of Equity at 30 June 2005</b>				
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash assets		63,564	-	63,564
Receivables		1,657	-	1,657
Trading portfolio	27a	538,976	-	538,976
<b>TOTAL CURRENT ASSETS</b>		<b>604,197</b>	<b>-</b>	<b>604,197</b>
<b>NON-CURRENT ASSETS</b>				
Investment portfolio	27a	304,922	-	304,922
Deferred tax assets		48,775	-	48,775
<b>TOTAL NON-CURRENT ASSETS</b>		<b>353,697</b>	<b>-</b>	<b>353,697</b>
<b>TOTAL ASSETS</b>		<b>957,894</b>	<b>-</b>	<b>957,894</b>
<b>CURRENT LIABILITIES</b>				
Payables		13,546	-	13,546
Current tax liabilities		-	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,546</b>	<b>-</b>	<b>13,546</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	27c&d	9,572	-	9,572
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,572</b>	<b>-</b>	<b>9,572</b>
<b>TOTAL LIABILITIES</b>		<b>23,118</b>	<b>-</b>	<b>23,118</b>
<b>NET ASSETS</b>		<b>934,776</b>	<b>-</b>	<b>934,776</b>
<b>EQUITY</b>				
Issued capital	27f	956,319	20,754	977,073
Reserves		11,773	-	11,773
Retained earnings	27e&f	(33,316)	(20,754)	(54,070)
<b>TOTAL EQUITY</b>		<b>934,776</b>	<b>-</b>	<b>934,776</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)**

**NOTE 27: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)**

	Note	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS \$	Australian equivalents to IFRS \$
<b>Reconciliation of Profit or Loss for the year 30 June 2005</b>				
Income from investment portfolio		1,110	-	1,110
Income from trading portfolio	27b	(63,677)	-	(63,677)
Income from deposits		8,865	-	8,865
Other income		-	-	-
Total income from ordinary activities		(53,702)	-	(53,702)
Administration expenses		(20,145)	-	(20,145)
Borrowing costs expense		(14)	-	(14)
Management fees		(3,703)	-	(3,703)
Performance fees		-	-	-
Other expenses from ordinary activities		-	-	-
Profit from ordinary activities before income tax expense		(77,564)	-	(77,564)
Income tax benefit/(expense) relating to ordinary activities	27c&f	44,248	(20,754)	23,494
Profit from ordinary operating activities after related income tax expense		(33,316)	(20,754)	(54,070)
Realised gains / (losses) on investment portfolio	27e	-	-	-
Income tax expense thereon	27e	-	-	-
Profit attributable to members of the company		(33,316)	(20,754)	(54,070)
Direct adjustments against equity				
Realised gains/(losses) on investment portfolio (net of tax)	27e	-	-	-
Unrealised gains/(losses) on investment portfolio (net of tax)	27d	11,773	-	11,773
Total valuation adjustments recognised directly in equity		11,773	-	11,773
Total changes in equity other than those resulting from transactions with owners as owners		(21,543)	(20,754)	(42,297)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006 (CONTINUED)

### NOTE 27: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

#### Notes to the Reconciliations of Equity and Profit and Loss at 30 June 2005

- (a) Investments measured at market value  
All investments (including the trading portfolio) are measured at market value.
- (b) Unrealised gains/losses on the trading portfolio  
All unrealised gains or losses on the trading portfolio are included in the Income Statement for that period.
- (c) Provision for deferred tax on unrealised gains/losses in the Income Statement  
A provision for the tax that would be due on unrealised gains or the credit receivable on unrealised losses that are included in the Income Statement is made on the Balance Sheet, and changes to this provision are reflected in the Income Statement.
- (d) Provision for deferred capital gains tax on unrealised gains through the Investment Revaluation Reserve  
A provision for the tax that would be due on unrealised gains or the credit receivable on unrealised losses that are included in the Investment Revaluation Reserve is made on the Balance Sheet, and changes to this provision are reflected directly through equity.
- (e) Realised gains or losses on securities in the investment portfolio  
All realised gains or losses, and the tax payable/tax credit receivable thereon, are accounted for through the Income Statement, and are therefore part of the Profit attributable to Members. The net gains/losses may be transferred through reserves from Retained Earnings to the Capital Profits Reserve which is available for distribution.
- (f) Recognition of deferred tax assets on transaction costs on issue of equity instruments  
Under AIFRS, the expenses incurred in issuing equity instruments are deducted from issued capital net of any tax benefit. The tax benefit is claimed over a five year period and gives rise to a deferred tax asset.
- (g) Effect of AIFRS on the cash flow statement for the financial year ended 30 June 2006  
There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under the superseded accounting policies.

## DIRECTORS' DECLARATION

### NOTE 27: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 14 to 34, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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




Steven Shane Pritchard  
Director



Daniel Di Stefano  
Director

Dated this 28 day of September 2006.



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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FLORIN MINING LIMITED

### SCOPE

#### **The financial report, compensation disclosures and directors' responsibility**

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Florin Mining Limited (the company) for the year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel as required by paragraphs Aus 25.4 to Aus 25.72 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") ("the compensation disclosures") under the heading "Remuneration Report" in pages 10 to 12 of the Directors' Report, as permitted by ASIC Class Order 06/50 and ASIC Class Order 06/105.

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

#### **Audit approach**

We conducted an independent audit of the financial report and the compensation disclosures in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows and whether the compensation disclosures comply with AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and compensation disclosures, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Level 5, Hunter Mail Chambers, 175 Scott Street, (PO Box 705) DX 7919 Newcastle NSW 2300 Australia  
Telephone 02 4926 2699 Facsimile 02 4929 1435 Website [www.forsythes.com.au](http://www.forsythes.com.au) Email [forsythes@forsythes.com.au](mailto:forsythes@forsythes.com.au)

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While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**AUDIT OPINION**

In our opinion:

- (1) the financial report of Florin Mining Limited is in accordance with:
  - (a) the Corporations Act 2001, including:
    - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (2) the compensation disclosures that are contained in pages 10 to 12 of the Director's Report comply with Accounting Standard paragraphs Aus 25.4 to Aus 25.72 of AASB 124.



FORSYTHES



VJ LEWIS  
Partner  
Chartered Accountants

Newcastle , 29 September 2006

## STOCK EXCHANGE INFORMATION

### TOP 20 SHAREHOLDERS AS AT 14 SEPTEMBER 2006.

Shareholder	No. of Shares	% of Issued
Warrambo Holdings Pty Ltd	250,000	4.88
Wythenshawe Pty Ltd	250,000	4.88
RFC Investment Holdings Pty Ltd	200,000	3.90
Technica Pty Limited	200,000	3.90
PEQ Nominees Pty Limited	155,000	3.02
Troika Investments Pty Ltd	130,000	2.54
George Drysdale	102,500	2.00
GA & LA Bentley Pty Ltd	100,000	1.95
Kyleast Pty Limited	100,000	1.95
Mr Paul Barry Wright & Mrs Gail Alicia Wright	90,000	1.76
Mr Adam Nicholas Ball	85,500	1.67
Illuminator Investment Company Limited	75,000	1.46
Old Fletcher & Partners Pty Ltd	60,000	1.17
Winpar Holdings Limited	57,600	1.12
Mr Laurence George Cable	50,000	0.98
Ms Eileen Anne English	50,000	0.98
Mr Ross Buchanan Freeman	50,000	0.98
Great Northern Laundry Pty Ltd	50,000	0.98
Mrs Edith Joan Jones	50,000	0.98
Ladec Pty Limited	50,000	0.98
	2,155,600	42.04

### Number of ordinary shares held

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 50,000
50,001 - 100,000
100,001 and over

### Number of Shareholders

2
-
96
86
7
7

### Substantial Shareholders

As at 14 September 2006 the names and holdings of substantial shareholders as disclosed in notices received by the Company are as follows:-

Substantial Shareholder	No. of shares	% of total
Robert Cameron	470,000	9.16
Steven Pritchard	374,901	7.31



## STOCK EXCHANGE INFORMATION (CONTINUED)

### TOP 20 SERIES A OPTIONHOLDERS AS AT 14 SEPTEMBER 2006.

Optionholder	No. of Options	% of Issued
Guardian Resources Pty Limited	250,000	4.88
Warrambo Holdings Pty Ltd	250,000	4.88
RFC Investment Holdings Pty Ltd	225,000	4.39
Technica Pty Limited	200,000	3.90
Dover Trading Co Pty Ltd	165,000	3.22
Mr Jean-Jacques Loofs	150,000	2.93
Winpar Holdings Limited	110,000	2.15
GA & LA Bentley Pty Ltd	100,000	1.95
Kyleast Pty Limited	100,000	1.95
PEQ Nominees Pty Limited	100,000	1.95
Mr Paul Barry Wright & Mrs Gail Alicia Wright	100,000	1.95
Illuminator Investment Company Limited	75,000	1.46
Alaria Pty Limited	65,000	1.26
Mr Laurence George Cable	50,000	0.98
Ms Eileen Anne English	50,000	0.98
Mr Ross Buchanan Freeman	50,000	0.98
Great Northern Laundry Pty Ltd	50,000	0.98
Mrs Edith Joan Jones	50,000	0.98
Ladec Pty Limited	50,000	0.98
Mr Carl Mervyn McLean	50,000	0.98
	2,240,000	43.69

### Number of options held

### Number of Optionholders

1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	99
10,001 - 50,000	85
50,001 - 100,000	6
100,001 and over	7

## STOCK EXCHANGE INFORMATION (CONTINUED)

### TOP 20 SERIES B OPTIONHOLDERS AS AT 14 SEPTEMBER 2006.

Optionholder	No. of Options	% of Issued
Warrambo Holdings Pty Ltd	250,000	4.88
Wythenshawe Pty Ltd	250,000	4.88
RFC Investment Holdings Pty Ltd	235,000	4.58
Technica Pty Limited	200,000	3.90
Mr Jean-Jacques Loofs	170,000	3.32
Dover Trading Co Pty Ltd	165,000	3.21
Winpar Holdings Limited	110,000	2.14
GA & LA Bentley Pty Ltd	100,000	1.95
Kyleast Pty Limited	100,000	1.95
PEQ Nominees Pty Limited	100,000	1.95
Mr Paul Barry Wright & Mrs Gail Alicia Wright	100,000	1.95
Illuminator Investment Company Limited	75,000	1.46
Mr Laurence George Cable	50,000	0.98
Ms Eileen Anne English	50,000	0.98
Mr Ross Buchanan Freeman	50,000	0.98
Great Northern Laundry Pty Ltd	50,000	0.98
Mrs Edith Joan Jones	50,000	0.98
Ladec Pty Limited	50,000	0.98
Mr Carl Mervyn McLean	50,000	0.98
Mr Christopher Nagel & Mrs Sally Elaine Nagel	50,000	0.98
	2,255,000	43.98

Number of options held	Number of Optionholders
1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	99
10,001 - 50,000	87
50,001 - 100,000	5
100,001 and over	7





## CORPORATE DIRECTORY

### Directors

Victor Gowan Burley  
Robert Franklin Cameron  
Steven Shane Pritchard  
Daniel Di Stefano

### Company Secretary

Daniel Di Stefano

### Registered Office

10 Murray Street  
Hamilton. NSW 2303  
Telephone 02 4920 2877  
Facsimile 02 4920 2878  
Email: mail@florin.com.au  
Web: www.florin.com.au

### Manager

Cameron Stockbrokers Limited  
Level 5  
10 Spring Street  
Sydney NSW 2000  
Telephone 02 8223 5100  
Facsimile 02 9232 7272

### Share Registry

Newcastle Capital Markets Registry Pty Limited  
10 Murray Street  
Hamilton. NSW 2303  
Telephone 02 4920 2877  
Facsimile 02 4920 2878

### Auditors

Forsythes  
Level 5, Hunter Mall Chambers  
175 Scott Street  
Newcastle NSW 2300  
Telephone 02 4926 2699  
Facsimile 02 4929 1435

### Solicitors

Baker & McKenzie  
Level 27, AMP Centre  
50 Bridge Street  
Sydney NSW 1223  
Telephone 02 9225 0200  
Facsimile 02 9225 1595

### Bankers

National Australia Bank Limited  
Hamilton District Commercial Branch  
31 Beaumont Street  
Hamilton NSW

