

Australian Mines Limited

ABN 68 073 914 191



AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2011

CONTENTS

DIRECTORS' REPORT	2
LEAD AUDITOR'S INDEPENDENCE DECLARATION	6
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS	10
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	18
INDEPENDENT REVIEW REPORT	19

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

The Directors present their report together with the Condensed Consolidated Interim Financial Report of Australian Mines Limited ("the Company") and its controlled entities ("the Group" or "AUZ") for the six months ended 31 December 2011 and the review report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

Benjamin Bell – Managing Director, appointed 23 January 2012.

Michael Ramsden – Chairman and Non-Executive Director, appointed 9 March 2011.

Mick Elias – Non-Executive Director, appointed 1 July 2005.

Dominic Marinelli –

- Non-Executive Director, appointed 9 March 2011 11 August 2011
- Executive Director between 12 August 2011 and 28 November 2011
- Reverted to a Non-Executive Director, from 29 November 2011

Neil Warburton – Non-Executive Director, appointed 22 April 2003.

Brett Young – Non-Executive Director since 12 August 2011.
Previously Executive Director, appointed 17 October 2005.

REVIEW OF EVENTS

Australian Tenements

On 4 October 2011, Australian Mines announced that the formal Tenement Purchase Agreement ("TPA") relating to the \$7.5 million divestment of the Company's non-core asset, the Mt Martin gold deposit in Western Australia, was successfully executed.

The binding TPA provides for the acquisition of the Mt Martin gold deposit and its associated leases by HBJ Minerals Pty Ltd, a wholly-owned subsidiary of Alacer Gold Corp. (TSX: ASR, ASX: AQG).

Under the terms of the TPA, the payment of the purchase consideration of \$7.5 million is as follows:

1. Deposit of \$0.25 million, which the Company has received
2. First instalment of \$2.25 million, which Australian Mines also received
3. Second instalment of \$2.5 million payable on 29 June 2012
4. Third instalment of \$2.5 million payable on 28 June 2013

The Australian assets covered under the TPA do not include the Golden Ridge tenements (other than the southern portion of E26/139), where Australian Mines continues to control 100% of the gold rights, in addition to 44% of the nickel rights through the Golden Ridge Joint Venture with Pioneer Resources.

This sale also does not include the Blair Nickel Mine (AUZ 100%) and associated infrastructure or the Marriott's nickel-sulphide resources near Kalgoorlie in Western Australia.

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

REVIEW OF EVENTS (cont.)

Nigerian Exploration

Australian Mines has an extensive, 100%-owned Nigerian portfolio consisting of 2,774 square kilometres of granted exploration licences within Nigeria's northwest goldfields. The Company has defined four key project areas, which are currently being targeted through its accelerated exploration program; **Yargarma**, **Kasele**, **Kagara** and **Tsauni** (Figure 1).

Australian Mines firmly believes that Nigeria has the potential to host gold deposits equivalent to those being discovered in neighbouring West African countries, due to the similarity of mineralisation being concentrated within, or proximal to, large shear zones. As one of the first international companies targeting mining within Nigeria, the Company is well placed to exploit its first mover advantage.

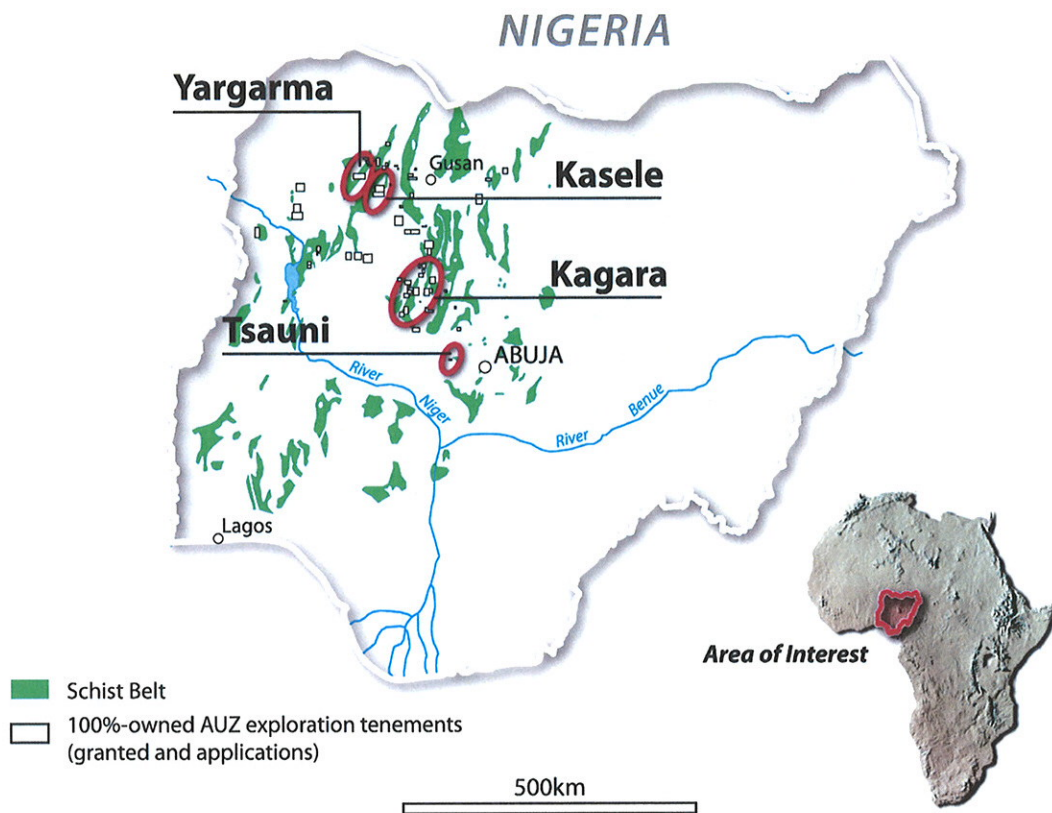


Figure 1: Location of Australian Mines' priority project areas within Nigeria's northwest goldfields. Artisanal workings are present across the Company's four key project areas, with the gold mineralisation appearing similar in style to deposits being discovered in neighbouring West African countries.

Yargarma (AUZ 100%)

The Company's Yargarma project covers 172 square kilometres of highly-prospective ground and is situated 350 kilometres northwest of Nigeria's capital city, Abuja (Figure 1). Seven separate artisanal working sites were recorded within the Company's project area, which are all hosted within this regional shear zone. Rock chip and soil sampling programs at Yargarma have now commenced with assay results pending and the Company is soon to commence an aeromagnetic survey across the Project.

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

REVIEW OF EVENTS (cont.)

Nigerian Exploration (cont.)

Kasele (AUZ 100%)

The Kasele project area is located approximately 300 kilometres northwest of Abuja and sits over a parallel shear zone to Yargarma. Kasele has extensive artisanal works ongoing within the project area. Rock chip sampling has so far returned encouraging gold grades and Australian Mines has commissioned a high-resolution aeromagnetic survey over the entire project area.

Kagara (AUZ 100%)

Australian Mines' Kagara project area is located 130 kilometres northwest of Abuja and consists of 473 square kilometres. At least three distinct target areas have been identified within the Kagara project that warrant exploration. One target exhibits similar geological and geophysical characteristics as the mineralised shear zones within the Company's Yargarma and Kasele project areas and Australian Mines will be undertaking further field mapping and sampling in the coming months.

Tsauni (AUZ 100%)

Another promising project defined by Australian Mines is the Tsauni project area, located only 20 kilometres west of Abuja. A completed field reconnaissance program confirmed that artisanal miners are extracting gold and silver from a series of workings within the Tsauni tenement. Initial observations and mapping of this area are encouraging, with assay results from rock chip sampling still pending.

REVIEW OF OPERATIONS

The Group made a loss for the six months ended 31 December 2011 of \$2,258,000 primarily due to impairment of exploration assets held for sale. This compares with a loss of \$1,317,000 for the six months ended 31 December 2010.

A comparison of the consolidated financial performance is included in the table below.

Financials	Six months ended 31 December 2011	Six months ended 31 December 2010
	\$'000 s	\$'000 s
Revenue from operating activities	-	-
EBITDA	1,175	(377)
Net finance (expense)/ income	(420)	98
Depreciation, amortisation & impairments	(3,013)	(1,038)
Net Loss	(2,258)	(1,317)

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

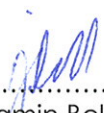
LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration requested under Section 307C of the Corporation's Act 2001 is set out on page 6 and forms part of the director's report for the six months ended 31 December 2011.

ROUNDING OFF

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of Directors


.....
Benjamin Bell
Managing Director
Perth: 29 February, 2012



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

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

KPMG

KPMG

Kevin Smout
Partner

Perth

29 February 2012

AUSTRALIAN MINES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Note	31 December 2011 \$'000	31 December 2010 \$'000
Other income		53	21
Corporate overheads and indirect expenses		(914)	(398)
Exploration expenditure impairment	7	(964)	(1,028)
Depreciation		(13)	(10)
Results from operating activities		<u>(1,838)</u>	<u>(1,415)</u>
Finance income	5	32	22
Finance expense	5	(452)	76
Net finance income		<u>(420)</u>	<u>98</u>
Loss before income tax		(2,258)	(1,317)
Income tax benefit		-	-
Loss from continuing operations		<u>(2,258)</u>	<u>(1,317)</u>
Other comprehensive income		2	-
Total comprehensive loss for the period		<u>(2,256)</u>	<u>(1,317)</u>
Basic loss per share (cent per share)		(0.3611)	(0.3772)

The Group's potential ordinary shares are not considered dilutive. Accordingly, diluted earnings per share is the same as basic earnings per share and is not separately disclosed.

The condensed notes on pages 11 to 17 are an integral part of the condensed consolidated interim financial statements.

AUSTRALIAN MINES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

\$'000s	Issued capital	Accumulated losses	Share option reserve	Share based payment reserve	Share capital reserve	Foreign exchange reserve	Total equity
Opening balance at 1 July 2011	31,674	(19,234)	169	992	30	52	13,683
Total comprehensive income	-	(2,258)	-	-	-	2	(2,256)
Employee option expense	-	-	-	86	-	-	86
Issue of shares	960	-	-	-	-	-	960
Transaction costs from issue of shares	(1)	-	-	-	-	-	(1)
Closing balance at 31 Dec 2011	32,633	(21,492)	169	1,078	30	54	12,472

\$'000s	Issued capital	Accumulated losses	Share option reserve	Share based payment reserve	Share capital reserve	Foreign exchange reserve	Total equity
Opening balance at 1 July 2010	26,479	(16,139)	169	882	-	-	11,391
Total comprehensive income	-	(1,317)	-	-	-	-	(1,317)
Employee option expense	-	-	-	46	-	-	46
Closing balance at 31 Dec 2010	26,479	(17,456)	169	928	-	-	10,120

The condensed notes on pages 11 to 17 are an integral part of the condensed consolidated interim financial statements.

AUSTRALIAN MINES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31 December 2011 \$'000	30 June 2011 \$'000
CURRENT ASSETS			
Cash and cash equivalents		1,926	816
Trade and other receivables	5	2,44	72
Assets classified as held for sale	7	973	9,207
Total Current Assets		5,383	10,095
NON CURRENT ASSETS			
Exploration and evaluation expenditure	6	5,325	4,706
Trade and other receivables	5	2,167	-
Property, plant and equipment		105	74
Total Non Current Assets		7,597	4,780
Total Assets		12,980	14,875
CURRENT LIABILITIES			
Trade and other payables		215	846
Interest bearing liabilities		2	4
Employee benefits		16	67
Liabilities classified as held for sale	7	275	275
Total Current Liabilities		508	1,192
Total Liabilities		508	1,192
NET ASSETS		12,472	13,683
EQUITY			
Issued capital	9	32,633	31,674
Reserves		1,331	1,243
Accumulated losses		(21,492)	(19,234)
TOTAL EQUITY		12,472	13,683

The condensed notes on pages 11 to 17 are an integral part of the condensed consolidated interim financial statements.

AUSTRALIAN MINES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Note	31 December 2011 \$'000	31 December 2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments in course of operations		(873)	(238)
Interest received		32	22
Net cash used in operating activities		(841)	(216)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(556)	(806)
Payments for property, plant and equipment		(45)	(32)
Proceeds from sale of property, plant and equipment		-	60
Proceeds from sale of assets held for sale		2,500	-
Proceeds from sale of investment		53	-
Net cash provided/(used in) by investing activities		1,952	(778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cost of issue of shares	9	(1)	-
Hire purchase & finance lease liability payments		(2)	(1)
Net cash used in financing activities		(3)	(1)
Net increase/(decrease) in cash held		1,108	(995)
Cash at the beginning of the financial period		816	1,578
Effect of exchange rate fluctuations on cash		2	-
Cash at the end of the financial period		1,926	583

The condensed notes on pages 11 to 17 are an integral part of the condensed consolidated interim financial statements.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

1. Reporting entity

Australian Mines Limited (the "Company", "AUZ") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at: Level 1, 83 Havelock Street, West Perth WA 6005 or at www.australianmines.com.au

2. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2011.

This condensed consolidated interim financial report was approved by the Board of Directors on 29 February 2012.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the condensed consolidated financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2011.

4. Estimates

The preparation of the condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

5. Finance income and finance expenses

	31 Dec 2011 \$000	31 Dec 2010 \$000
Finance income		
Interest income	32	22
Finance expenses		
Effective interest rate adjustment to receivables ¹	(449)	-
Refund (payments) of GIC by/to ATO	-	79
Guarantee fees	(3)	(3)
	<u>(420)</u>	<u>98</u>

¹ A financial expense has been recognised in the period ended 31 December 2011 to record financial assets in accordance with AASB139 *Financial Instruments: Recognition and Measurement*. The consideration receivable of \$5 million receivable from the disposal of mining assets is required to be measured initially at its fair value (\$2.4 million in current and \$2.2 million in non-current trade and other receivables) and recognised at amortised cost thereafter.

6. Exploration and evaluation assets

Reconciliations of the carrying amounts for each class of exploration and evaluation expenditure are set out below:

	31 Dec 2011 \$000	30 June 2011 \$000
Exploration and evaluation		
Opening balance July	4,706	10,408
Acquisition of tenements	276	4,579
Expenditure incurred	343	954
Reclassified as assets held for sale	-	(9,207)
Exploration expenditure impairment	-	(2,028)
Exploration costs carried forward	<u>5,325</u>	<u>4,706</u>

The ultimate recoupment of costs carried forward for mineral properties in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

7. Assets classified as held for sale

The Australian mining tenements held by the consolidated entity were reclassified as a disposal group of assets held for sale at 30 June 2011. The provision for rehabilitation is related to these tenements.

A large portion of these tenements were sold during the six months ended 31 December 2011, resulting in a profit of \$2,036,000. The remaining assets were impaired by \$3,000,000 to reflect their current market value.

	\$000
Assets at 30 June 2011	
Exploration and development costs	9,207
Book value of tenements sold	(5,464)
Gain on tenements sold	<u>2,036</u>
	1,707
Expenditure incurred	230
Book value of remaining tenements	<u>1,937</u>
Impairment of tenements	<u>(9,64)</u>
Assets at 31 December 2011	973
Provision for rehabilitation	<u>(275)</u>
Net assets classified as held for sale	<u><u>698</u></u>

AUSTRALIAN MINES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

8. Segment reporting

The Group operates predominantly in two reportable geographical segments being exploration activities in Nigeria and Western Australia.

It has expanded its geographical segment from Western Australia into Nigeria during the current year. Chief operating decision-maker assessments are based upon mineral results from exploration activities by region. Internal reporting to key decision makers has changed during the current year to show exploration activities in Western Australia separately from those in Nigeria.

	Australian Exploration	Nigerian Exploration	Treasury	Total
For the Six Months Ended 31 December 2011				
External Revenue	-	-	32	32
Segment Profit/(Loss)	(911)	-	(420)	(1,331)
Reconciliation of reportable segments:				
- Corporate charges				(828)
- Depreciation				(13)
- Share-based payment expenses				(86)
Loss before Income Tax				(2,258)
As at 31 December 2011				
Segment assets	5,524	5,325	1,926	12,775
Unallocated assets:				
- Trade and other receivables				100
- Plant and equipment				105
Total Assets				12,980
Segment asset increases for the period:				
- Tenement expenditure	231	619	-	850
Segment liabilities	358	20	2	380
Unallocated liabilities				
- Trade and other payables				112
- Employee Benefits				16
Total Liabilities				508

AUSTRALIAN MINES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

8. Segment reporting (cont.)

	Australian Exploration	Nigerian Exploration	Treasury	Total
For the Six Months Ended 31 December 2010				
External Revenue	21	-	22	43
Segment Profit/(Loss)	(1,037)	-	98	(939)
Reconciliation of reportable segments:				
- Corporate charges				(322)
- Depreciation				(10)
- Share-based payment expenses				(46)
Loss before Income Tax				(1,317)
As at 30 June 2011				
Segment assets	9,207	4,706	816	14,729
Reconciliation of reportable segments:				
Unallocated assets:				
- Trade and other receivables				72
- Plant and equipment				74
Total Assets				14,875
Segment asset increases for the period:				
- Tenement expenditure	827	4,706	-	5,533
Segment liabilities	275	-	688	963
Reconciliation of reportable segments:				
Unallocated liabilities				
- Trade and other payables				162
- Employee Benefits				67
Total Liabilities				1,192

AUSTRALIAN MINES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

9. Share capital

	31 Dec 2011 No.	30 June 2011 No.
Reconciliation of issued capital		
Balance at beginning of half year	576,910,317	6,981,662,168
Post consolidation 1:20 ¹	-	349,083,108
Shares issued - placement	-	47,826,332
Shares issued for acquisition of subsidiary ²	60,000,000	180,000,000
Options exercised	-	877
Balance at end of half year	<u>636,910,317</u>	<u>576,910,317</u>

¹ During the prior year 6,981,662,168 ordinary shares were consolidated on a 1:20 basis.

² During the half year 60,000,000 shares were issued at market price on 4 August 2011 to previous shareholders of Nigeria Gold Pty Ltd for Tranche 2. Refer to 30 June 2011 financial statements for full details of the transaction.

	31 Dec 2011 No.	30 June 2011 No.
Listed Options		
Exercisable at 4 cents, expiring 30 June 2013	59,563,752	59,563,752
Unlisted Options		
Granted 29 Nov 2006, expiring 31 Dec 2011	-	562,500
Granted 27 Nov 2009, expiring 31 Dec 2014	6,000,000	13,000,000
Granted 29 Nov 2011, expiring 30 Nov 2014	13,600,000	-
Granted 29 Nov 2011, expiring 30 Nov 2014	27,200,000	-
Granted 14 Dec 2011, expiring 30 Nov 2014	7,600,000	-
Total Options	<u>113,963,752</u>	<u>73,126,252</u>

The unlisted options are for various exercise prices, and have been issued to the Directors and Executives of the Company.

During the year the following unlisted options were relinquished by the Directors:

Granted 29 Nov 2006, expiring 31 Dec 2011	262,500
Granted 27 Nov 2009, expiring 31 Dec 2014	7,000,000

During the year the following unlisted options expired:

Granted 29 Nov 2006, expired 31 Dec 2011	300,000
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AUSTRALIAN MINES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

10. Subsequent events

The Group has received an offer for the sale of the Blair Nickel Mine and all remaining tenements in the disposal group owned by Blair Nickel Mine Pty Ltd. The price offered is \$700,000 and the purchaser would also assume responsibility for the rehabilitation of the tenements. Although the offer has not yet been accepted, the carrying value at 31 December 2011 of the remaining assets in the disposal group, net of the rehabilitation provision, has been adjusted to reflect this offer.

11. Contingent liabilities

The Group's mining tenements are subject to native title applications. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Group.

The previous shareholders of Nigeria Gold Pty Ltd are claiming entitlement to an additional 60,000,000 shares on the basis that the Consolidated Group has been granted two high priority tenements. However the Company has not granted these additional shares because only 56 km² was granted out of the 167 km² applied for, the independent directors are seeking further legal advice regarding whether the milestone was achieved as set out in the terms of the transaction approved by Shareholders on 9 March 2011. The market value of the additional shares as at 31 December 2011 is \$1,200,000.

12. Related parties

Key management personnel receive compensation in the form of short term employee benefits, post employment benefits and share based payments awards. Key management personnel received a total compensation of \$445,177 for the six months ended 31 December 2011. (Prior period six months ended 31 December 2010 \$258,687).

AUSTRALIAN MINES LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors of Australian Mines Limited ("the Company"):

- (a) the financial statements and notes disclosed on pages 7 to 17 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance, for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

On behalf of the Directors


.....
Benjamin Bell
Managing Director

Perth
Dated: 29 February, 2012



Independent auditor's review report to the members of Australian Mines Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Australian Mines Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australian Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Australian Mines Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'K Smout', written over the printed name.

Kevin Smout
Partner

Perth

29 February 2012