

AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014**

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AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Consolidated Group comprising Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities for the year ended 30 June 2014, and the auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Michael Ramsden – Chairman appointed 9 March 2011

BEC, LLB, FFIN

Michael Ramsden is a lawyer with more than 25 years' experience as a corporate advisor. He has been involved with all forms of finance, including money markets, futures trading, lease finance, trade finance and foreign exchange. Mr Ramsden is the Managing Director of Terrain Capital Limited in Australia, and has previously worked for international companies including CIBC Australia, JP Morgan and Scandinavian Pacific Investments Limited. He is also a director of the Victoria Racing Club, Chairman of Lowell Capital Ltd and formerly Chairman of Terrain Australia Ltd and Director of D&D Tolhurst Ltd. Mr Ramsden is a member of the Company's Remuneration Committee and Audit and Risk Committee.

Benjamin Bell – Managing Director appointed 23 January 2012

BSc, MMET, MBA

Benjamin Bell has 19 years' experience as a geologist and geophysicist in the minerals industry. Mr Bell joined the Company as Chief Executive Officer on 8 November 2011 and was subsequently appointed as Managing Director in January 2012. Previously Mr Bell was CEO of Ausgold Limited, and has consulted to other ASX-listed explorers. He has held senior exploration geologist roles with Regis Resources Ltd and others, and has managed the operations of UTS Geophysics and the airborne geophysical arm of Geoscience Australia.

Mick Elias – Non-Executive Director appointed 1 July 2005

BSc(Hons), FAusIMM, CPGeo

Mick Elias has 30 years' of extensive, international experience in all aspects of nickel resource development in both laterites and sulphides, from project generation and evaluation, exploration planning and management, development studies, open cut and underground mine geology, resource/reserve estimation, and resource economics.

He previously held the positions of Chief Geologist – WA Nickel Operations and Chief Geologist – Nickel Resource Development at WMC Resources Ltd and was a director of Silver Swan Group Ltd until his resignation on 19 November 2012. Mr Elias holds a Bachelor of Science (Honours) in Geology from the University of Melbourne and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Dominic Marinelli – Non-Executive Director appointed 9 March 2011

MBA, BEng, PGD Sc

Dominic Marinelli has over 20 years' of corporate fundraising experience covering a wide range of industries including resources and other emerging technologies. Mr Marinelli is a Director of Terrain Capital Limited in Australia and of unlisted explorer West Africa Coal Pty Ltd. He holds an MBA from the Melbourne Business School, a degree in Electrical and Computer Systems Engineering from Monash University and a diploma in Nanotechnology from Leeds University. Mr Marinelli is a member of the Company's Remuneration Committee and Audit and Risk Committee.

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

1. DIRECTORS (cont.)

Neil Warburton – Non-Executive Director appointed 22 April 2003
Associate Degree in Mining Engineering – WASM, MAusIMM, FAICD

Neil Warburton is a qualified mining engineer with more than 30 years' experience in the development and mining of gold and nickel projects in Australia. He has held executive and board positions with a number of large Australian mining and contracting companies. Mr Warburton is currently the Non-Executive Chairman of Red Mountain Mining Ltd, Non-executive Director of Sirius Resources NL and Non-executive Director of Peninsula Energy Ltd. Mr Warburton is a member of the Company's Remuneration Committee and Audit and Risk Committee.

He was previously the Chief Executive Officer of Barminto Ltd until March 2012, one of Australia's largest underground mining contractors, which operates in Australia and Africa. Before joining Barminto, Mr Warburton was Managing Director of Coolgardie Gold.

2. COMPANY SECRETARY

The Company Secretary of the Company during or since the end of the financial year is:

Michael Ramsden – appointed 18 June 2013
 (See details above)

3. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year is as follows:

Director	Board Meetings		Remuneration Committee		Audit & Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Michael Ramsden	8	8	1	1	3	3
Benjamin Bell	8	8	-	-	-	-
Mick Elias	8	7	-	-	-	-
Dominic Marinelli	8	8	1	1	3	3
Neil Warburton	8	7	1	1	3	3

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Risk & Audit Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Risk & Audit Committee also oversees the Company's risk management systems and procedures.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

4. PRINCIPAL ACTIVITIES

The consolidated entity's principal activities during the course of the financial year were the exploration for gold and base metals.

5. OPERATING AND FINANCIAL REVIEW

Australian Mines Limited is a publically listed minerals exploration company.

In August 2013, Australian Mines advised shareholders that the Company had decided to reduce its exploration activities in Nigeria to pursue opportunities in other mining friendly jurisdictions.

Following a period of extensive due diligence, Australian Mines announced in March 2014 that it had entered into a Farm-In and Joint Venture Agreement with Mount Magnet South NL (ASX: MUM) over the Jumbulyer gold and copper project.

Australian Mines continued to enhance its Australian exploration portfolio in April 2014, entering into a binding agreement with Riedel Resources (ASX: RIE) for the Marymia copper-gold-nickel project, located along strike from Sandfire Resources' world class DeGrussa copper-gold mine.

Marymia Project, Western Australia

The DeGrussa copper-gold deposit was discovered in 2009 and Sandfire has since defined a total Mineral Resource of 13.4 million tonnes @ 4.7% copper and 1.9g/t gold for a total of 634,000 tonnes of copper and 795,000 ounces of gold.

Significantly, the dominant controlling structure of the DeGrussa ore bodies and the nearby Red Bore (Thundelarra Exploration) copper-gold deposit is the major northeast-trending Jenkins Fault. This important structure also extends through the Marymia project area for a distance of 20 kilometres.

Previous exploration activities undertaken across the Marymia project area identified a number of soil anomalies adjacent to the Jenkins Fault, including a 247ppb gold-in-soil anomaly reported by Riedel Resources in February 2012. Australian Mines is presently designing an exploration program to test the potential of the Marymia project to host repetitions of the nearby DeGrussa copper-gold mineralisation and will keep shareholders updated on the progress of this program.

In addition to the promising DeGrussa-style copper-gold potential, the Marymia project appears equally prospective for nickel sulphide mineralisation.

Historic drilling of the oxide zone during a first-pass gold exploration program returned encouraging supergene nickel results, including:

- 8 metres at 1.05% nickel from 16 metres below the surface (drill hole K5-6)
- 13 metres @ 0.74% nickel from 28 metres below the surface (drill hole K5-7)
- 24 metres @ 0.58% nickel from 12 metres below the surface (drill hole K5-8)
- 4 metres @ 1.07% nickel from 28 metres below the surface (drill hole NKB0724)

Encouraged by these historic results, Australian Mines completed a reconnaissance ground-based electromagnetic (EM) survey over seven priority nickel targets.

On 1 August 2014, Australian Mines reported that this geophysical survey completed had detected a strongly conductive body beneath an historic nickel-in-soil anomaly within the Marymia project.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

This geophysical anomaly, since named the Simmons prospect, has been modelled by Southern Geoscience Consultants as a 400 metre long body, which appears to parallel a previously reported 1,200 x 600 metre nickel and copper soil anomaly.

The Simmons prospect is estimated to be around 250 metres below surface and continues to a depth of at least 700 metres below surface and is considered a high priority target for massive sulphide mineralisation.

Taking into consideration the favourable geological setting and potential exploration upside associated with the Simmons prospect, Australian Mines has designed a maiden drilling program to further test the source of this bedrock conductor commencing in September 2014.

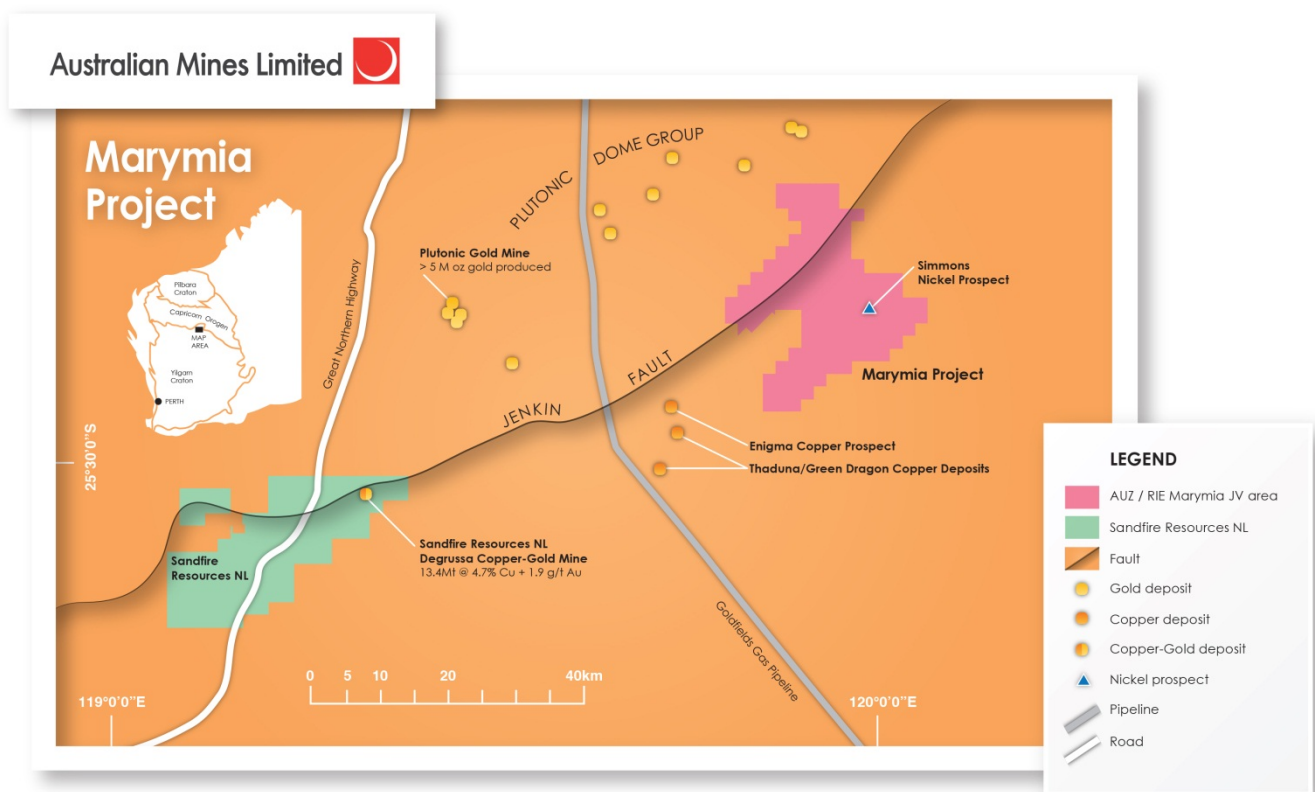


Figure 1: A ground-based electromagnetic survey at Marymia detected a strong conductor within ultramafic rocks at the Company's Simmons nickel prospect. No previous drilling has been reported across this target area.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

5. OPERATING AND FINANCIAL REVIEW (cont.)

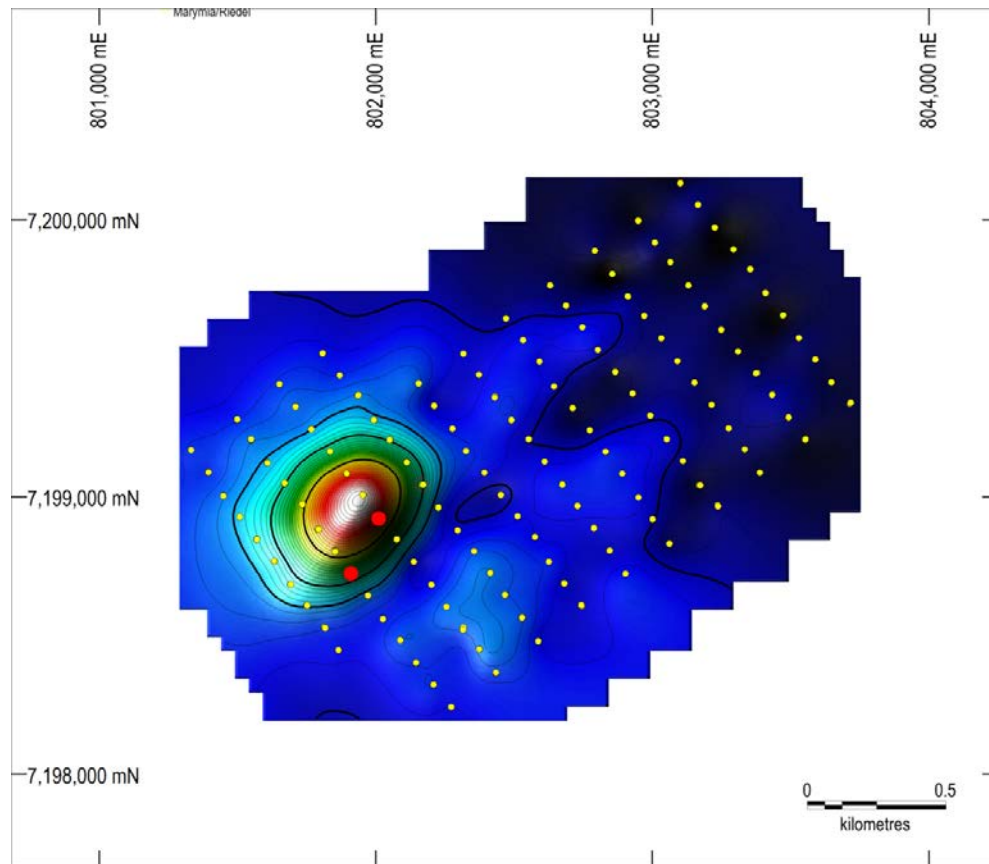


Figure 2: Plan view - The conductive body appears as a distinct 'bulls-eye' in the late-time channels of the moving loop electromagnetic survey. (Image is channel 25 – 18.37ms). Positions of the EM stations are marked in yellow.

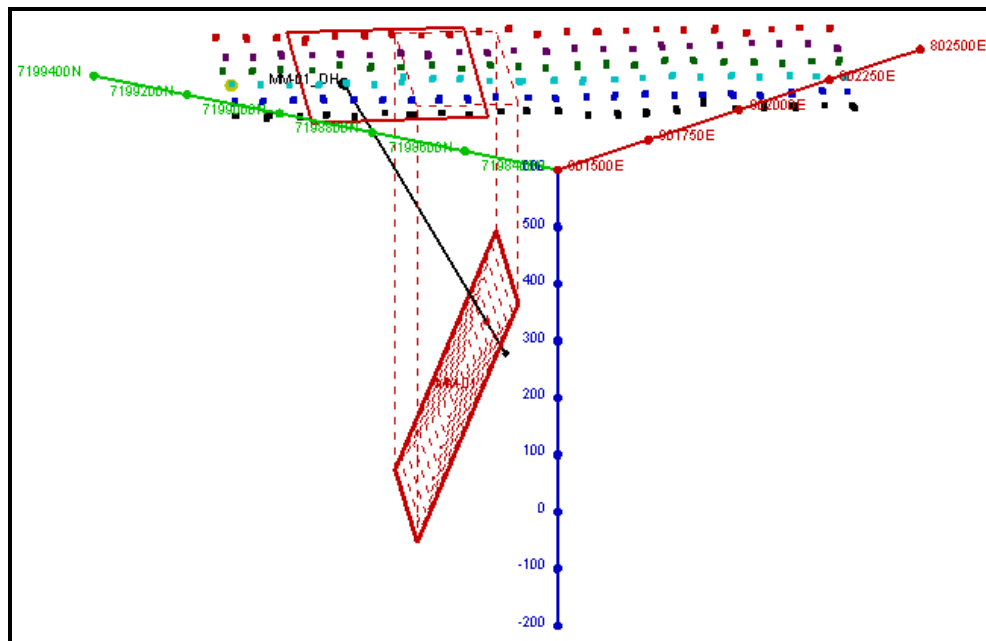


Figure 3: Perspective view looking NNE with the best fit model of the conductive source (red) and Australian Mines' proposed target drill hole (black).

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

Foothills Prospect, Western Australia

The Foothills prospect is located within one of Australia's most prolific gold producing regions. Following the signing of a joint venture agreement with Mount Magnet South, Australian Mines completed an initial field reconnaissance program over the Jumbulyer project area. This field work program was designed to further explore the previously identified Foothills copper-gold target where previous drilling completed by Mount Magnet South had returned a number of promising gold intersections over a 100 metres strike length including:

- 16 metres @ 6.6 g/t gold from 9 metres (drill hole DH135)
- 10 metres @ 3.3 g/t gold from 20 metres (drill hole FR001)
- 14 metres @ 2.6 g/t gold from 38 metres (drill hole FRC04)
- 20 metres @ 3.0g/t gold from 41 metres (drill hole FHRC002)

In April 2014, Australian Mines commenced a ground geophysics program over the Foothills copper-gold prospect targeting bedrock mineralisation. The program, comprising a moving loop electromagnetic survey and a subsequent sub-audio magnetics survey was designed to test for the presence of gold-bearing pyrrhotite and/or pyrite (iron sulphide) zones within the broader project area.

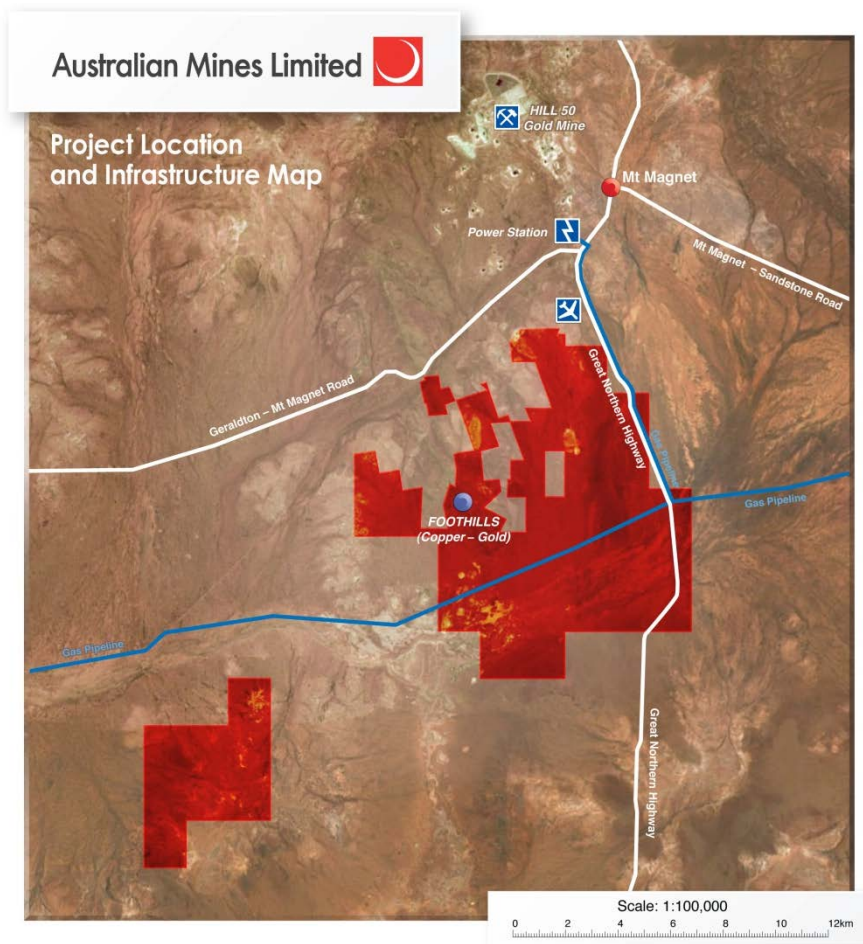


Figure 4: Australian Mines' Foothills prospect is well serviced by local infrastructure, being located only 15 kilometres southwest of the established mining town of Mt Magnet.

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

Upon completion of the Foothills moving loop electromagnetic survey, Australian Mines reported the identification of a bedrock conductor situated within close proximity to the oxide gold mineralisation previously recorded in shallow historic drilling.

As follow up, the Company drilled a single reverse circulation (RC) hole into the interpreted bedrock conductor. The drill hole successfully intersected a zone of disseminated sulphides and quartz veining around the depth predicted by the Company's geophysicists. Assay results from this drill program are currently pending.

Marriott's Project, Western Australia

No work has been carried out on the Marriott's project during this reporting period.

Nigeria

For the past two years, Australian Mines has been systematically exploring its tenements in northwest Nigeria. During this period the Company has completed a number of detailed geophysical and geochemical surveys, in addition to undertaking a comprehensive review of the country's historic exploration activities. This has resulted in Australian Mines gaining a thorough understanding of the controls on gold (and other) mineralisation in Nigeria.

Positive progress has been made in identifying gold targets, in particular at Yargarma and Kasele, where the Company carried out a drill program, which confirmed the presence of primary gold mineralisation. The results from this drill program, however, demonstrated that the thickness and continuity of this mineralisation may be insufficient to support a commercial gold operation of the scale targeted by the Company.

Given the current economic climate, fluctuating gold price, and following the strategic review of the existing projects, the Company has therefore elected to reduce its footprint in Nigeria.

General Economic Conditions

Availability of labour and machinery, movements in interest, inflation rates and currency exchange rates may have an adverse effect on the company's exploration activities, as well as on its ability to fund those activities. Currently the only defined mineral resources held by Australian Mines is the Marriott's nickel sulphide resource located within granted Mining Lease M37/096 in Western Australia. There can be no guarantee that any planned exploration programs will lead to positive exploration results and the discovery of a commercial deposit or further, the establishment of any commercial mining operations.

The Consolidated Group made a loss for the year of \$993,419 (2013: loss \$8,229,644). There was no impairment of exploration assets during the year (2013: 7,328,896).

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

Financials	2014	2013
	\$	\$
Revenue from operating activities	-	-
Net Loss	(993,419)	(8,229,644)
Cash and cash equivalents	1,700,487	487,510

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

The company's financial results demonstrate a net loss due to the company's position of mineral explorer, rather than producer. At this point in the company's development, whilst it incurs expenditure through the ongoing exploration of tenements, no return has been generated as the company is yet to move into production, thus providing income.

6. DIVIDENDS

No dividends were paid or declared by the Company during the year.

7. EVENTS SUBSEQUENT TO BALANCE DATE

On 13 August 2014, Australian Mines reported that it would be undertaking a pro-rata Entitlement Offer to existing shareholders to raise \$1.48 million, which would be used to fund the maiden drilling program at the Simmons prospect.

Entitlement Offer Details:

- Total number of New Shares to be issued is approximately 114,074,939 at an Issue Price of \$0.013 to raise \$1.48 million before costs.
- Australian and New Zealand shareholders will be entitled to participate on a 1-for-5 basis (that is, these shareholders are entitled to purchase one new ordinary share for every five existing ordinary shares they held at the Record Date).
- Australian and New Zealand shareholders will have the opportunity to apply for New Shares in addition to their Entitlements at the Issue Price.

The offer is fully underwritten by Terrain Capital Markets Limited.

8. LIKELY DEVELOPMENTS

Having undertaken a strategic change in direction over the past 12 months, Australian Mines will be continuing to focus its activities on the exploration of its Marymia and Foothills project areas. The Company will also be actively assessing further growth opportunities as they arise and only if they represent a sound opportunity to increase shareholder value.

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

9. DIRECTORS' INTERESTS

At the end of the reporting period, the number of shares and options in the Company held by each Director of Australian Mines Limited and other key management personnel of the Consolidated Group, including their personally-related entities, are as follows:

Specified Directors	Shares	Listed Options	Unlisted Options
M Ramsden (i)	22,757,723	-	6,800,000
B Bell (ii)	2,652,717	-	13,600,000
M Elias (iii)	2,000,000	-	6,800,000
D Marinelli (iv)	22,698,573	-	6,800,000
N Warburton (v)	4,116,564	-	6,800,000

- (i) Mr M Ramsden has a relevant interest in the following shares – 19,958,378 shares held by Pacrim Investment Consultants Pty Ltd <Pacrim Super Fund A/c>, 565,778 shares owned by Whitehaven Investments Pty Ltd <Ramsden Family Trust>, and 2,233,567 shares held by Doverpoint Pty Ltd, Whitehaven Investments Pty Ltd <Ramsden Family Trust> also holds 248,175 shares in trust for an unrelated party, and Terrain Capital Limited holds 124,087 shares in trust for an unrelated party).
- (ii) Mr B Bell has a relevant interest in 2,652,717 shares owned by B & R Bell <Kestrel Investment Fund>.
- (iii) Mr M Elias has a relevant interest in 2,000,000 shares held by M & C Elias <Elias Super Fund>
- (iv) Mr D Marinelli has a relevant interest in the following shares – 6,589,022 shares held by Dominic Marinelli and Vicki Marinelli <Monte Amaro Super Fund>, and 16,109,551 shares held by Dominic Orlando Marinelli <The Monte Acquaviva Trust>.
- (v) Mr N Warburton has a relevant interest in the following shares – 1,946,563 shares held by Michlange Pty Ltd <Warburton Family Trust> and 2,170,001 held by Michlange Pty Ltd <Warburton Super Fund>.

Unlisted options are held personally or indirectly, as nominated by the Director.

10. SHARE OPTIONS

Unissued shares under options

At the date of this report unissued ordinary shares of the company under option are:

	Expiry date	Exercise price	Number of options
Unlisted share options			
Specified director share options	30 November 2014	\$0.020	4,533,334
Specified director share options	30 November 2014	\$0.025	4,533,333
Specified director share options	30 November 2014	\$0.030	4,533,333
Specified director share options	30 November 2014	\$0.027	9,066,664
Specified director share options	30 November 2014	\$0.035	9,066,668
Specified director share options	30 November 2014	\$0.045	9,066,668
Specified employee share options	30 November 2014	\$0.027	2,266,666
Specified employee share options	30 November 2014	\$0.035	2,266,667
Specified employee share options	30 November 2014	\$0.045	2,266,667
			47,600,000

No options were exercised, expired or forfeited during the year.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

11. REMUNERATION REPORT – AUDITED

11.1 Overview of Remuneration Policies

The board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and Executives with a remuneration package that reflects the person's responsibilities, duties and personal performance. An employee option scheme for key Executives is in place.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The Board has established a Remuneration and Nomination Committee (Remuneration Committee) responsible for making recommendations to the Board on remuneration arrangements for Directors and Executives of the Company.

11.2 Principles of Compensation

Remuneration of directors and executives is referred to as compensation throughout this report. Compensation levels for key management personnel, and for relevant key management personnel of the Consolidated Group, are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Fixed Compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually through a process that considers individual and overall performance of the Consolidated Group.

Performance-linked Compensation

Performance linked compensation includes long-term incentives in the form of options that are able to be issued under the Employee Option Scheme.

Short term Incentive Bonus

The company has no scheme to pay discretionary bonuses based on performance, and none were paid this year, or in the prior year.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

11. REMUNERATION REPORT - AUDITED (cont.)

11.2 Principles of Compensation (cont.)

Long Term Incentive Bonus - Employee Share Option Plan

Persons eligible to participate in the Australian Mines Employee Option Plan ('Plan') include Directors (subject to shareholder approval) and all employees of the Company. Options are granted under the plan for no consideration for a maximum period of 5 years and can be exercised at any time between the date the option is granted and the expiry date, subject to service conditions discussed below.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of securities offered to shareholders of the Company during the currency of the options. An option holder is required to exercise options in order to participate in any new issue of securities offered to shareholders by the Company for subscription on a pro rata basis.

Options are only capable of exercise if the minimum service period is met. The minimum service period will be waived so as to not be applicable in the event of a takeover offer or a merger of the Company. Each option exercised will entitle the holder to one ordinary share in the capital of the Company.

Where the employee ceases for any reason to be employed with the Company, all unexercised options automatically expire 14 days after the date of ceasing to be employed.

As a result of the plan, there are currently 47,600,000 unissued shares of the Company under option. The fair value of the options is estimated at the date of grant using the Black-Scholes model. No options were granted during the year ended 30 June 2014. There were 47,600,000 options granted under the plan during the year 30 June 2012.

Participants in the Plan are prohibited from entering into any arrangement which would limit their exposure to losses which would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

Consequences of Performance on Shareholder Wealth

In considering the Consolidated Group's performance and benefits for shareholder wealth, the Remuneration Committee take into account profitability and share price movements when setting the total amount of any bonuses. No performance bonuses were paid in the current financial year.

	2014	2013	2012
Loss for the year	\$993,419	\$8,229,644	\$2,797,958
Change in Share Price	(33%)	(54%)	(13%)

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

11. REMUNERATION REPORT - AUDITED (cont.)

11.2 Principles of Compensation (cont.)

Service Contracts - Executive Director

The Company has entered into a service agreement contract with Executive Director, Mr Benjamin Bell, effective from 1 July 2012. Mr Bell was employed on a salary of \$200,000 per annum plus superannuation (reduced from \$315,000 effective 1 January 2014). Either party may terminate this agreement by providing one month's written notice.

Any time contracts of employment may be terminated by the Company forthwith if the Executive Director (amongst other items) breaches duties connected with the performance of services; enters bankruptcy; engages in misconduct; is of ill health or unsound mind. Under such circumstances the Company will pay an amount equal to the aggregate of unpaid salary, annual leave and long service leave accrued to the date of termination. If an Executive Director elects to terminate the contract, written notice of one month will be provided to the Company.

The Company provides insurance for Executive Directors for any liability arising from statute or common law and public indemnity insurance in respect of shareholder or third party actions.

The Remuneration Committee undertakes to review Directors' remuneration on an annual basis to take into account changes to the cost of living and changes in the scope of the Directors' roles and responsibilities. If warranted the Remuneration Committee may approve bonus payments up to a reasonable limit for exceptional performance.

Service Contracts - Executive Officers

The Company has entered into employment contracts with Executive Officers.

Commencing 19 April 2011, Mr D Aliyu was employed as a consultant in Nigerian at a salary of US\$6,000 per month. This contract was terminated on 31 July 2013. Mr Aliyu is also a Director of Mines Geotechniques Limited, for which he received Directors Fees of A\$20,000 per annum.

Non-Executive Directors

Total remuneration for all Non-Executive Directors is not to exceed \$400,000 per annum, excluding options which are approved separately at a general meeting. Non-executive Directors' fees are set with reference to fees paid to other Non-Executive Directors of comparable companies, and are presently \$40,000 (2013: \$55,000) per annum. The Non-Executive Chairman receives a fee of \$60,000 (2013: \$86,000) per annum. The reduction in the directors fee was effective 1 January 2014. The Non-Executive Chairman is also employed as Company Secretary for no further remuneration.

Directors' fees cover all main board activities and membership of committees. The directors have participated in the Employees Option Plan and received an allotment of unlisted options as detailed in note 18.

11.3 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Consolidated Group and other key management personnel of the Consolidated Group are shown on the following table.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (cont.)

		SHORT TERM (D)		POST EMPLOYMENT			SHARE-BASED PAYMENTS				
Directors		Non-Exec Directors' Fees	Executive Salaries (A)	Super- annuation Contribution	Termination and Retirement Benefits	Other Long-Term Benefits (B)	Options Issued (C)	Insurance Premiums	TOTAL	Proportion of remuneration performance based	Value of Options as a proportion of Remuneration
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
Non-executive											
Mr M Ramsden	2014	66,819	-	6,181	-	-	1,986	1,297	76,283	3	3
	2013	78,899	-	7,101	-	-	8,379	1,786	96,165	9	9
Mr M Elias	2014	43,478	-	4,022	-	-	1,986	1,297	50,783	4	4
	2013	50,459	-	4,541	-	-	8,379	1,786	65,165	13	13
Mr D Marinelli	2014	43,478	-	4,022	-	-	1,986	1,297	50,783	4	4
	2013	50,459	-	4,541	-	-	8,379	1,786	65,165	13	13
Mr N Warburton	2014	47,500	-	-	-	-	1,986	1,297	50,783	4	4
	2013	55,000	-	-	-	-	8,379	1,786	65,165	13	13
Executive											
Mr B Bell	2014	-	280,502	23,819	-	-	3,970	1,297	309,588	1	1
	2013	-	347,594	28,350	-	-	16,757	1,786	394,487	4	4
Total compensation: Directors	2014	201,275	280,502	38,044	-	-	11,914	6,485	538,220	2	2
	2013	234,817	347,594	44,533	-	-	50,273	8,930	686,147	7	7
Executive Officers											
Mr D Aliyu	2014	20,000	12,000	-	-	-	1,986	-	33,986	7	7
	2013	20,000	72,000	-	-	-	8,379	-	100,379	8	8
Ms S Grice (E)	2014	-	-	-	-	-	-	-	-	-	-
	2013	-	35,000	3,150	-	-	-	-	38,150	-	-
Total compensation Executive Officers	2014	20,000	12,000	-	-	-	1,986	-	33,986	6	6
	2013	20,000	107,000	3,150	-	-	8,379	-	138,529	6	6

(A) Salaries include movements in the provisions for annual leave.

(B) Other long term benefits include movement in the long service leave provision.

(C) The estimated options value disclosed above is calculated at the date of grant using a Black-Scholes model.

(D) No cash bonuses or non-monetary benefits were provided as compensation during the 2014 and 2013 financial years.

(E) Resigned on 18 June 2013

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

11. REMUNERATION REPORT – AUDITED (cont.)

11.4 Terms of equity settled share based payment transactions

Directors and executives employment related options granted on 29 November 2011 are vested in three tranches. The details of the vesting plan are set out below. The fair values of all granted options are included in remuneration over the vesting period from December 2011 to December 2013.

Specified Directors	Granted as remuneration	Grant Date	Date Vests	No. vested	% Vested	% Forfeited	Exercise Price (\$)	Fair value at grant date	Expiry Date
N Warburton	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	\$0.004779	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	2,266,667	100%	-	0.035	\$0.003920	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	2,266,667	100%	-	0.045	\$0.003159	30 Nov 2014
M Elias	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	\$0.004779	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	2,266,667	100%	-	0.035	\$0.003920	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	2,266,667	100%	-	0.045	\$0.003159	30 Nov 2014
M Ramsden	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	\$0.004779	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	2,266,667	100%	-	0.035	\$0.003920	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	2,266,667	100%	-	0.045	\$0.003159	30 Nov 2014
D Marinelli	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	\$0.004779	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	2,266,667	100%	-	0.035	\$0.003920	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	2,266,667	100%	-	0.045	\$0.003159	30 Nov 2014
B Bell	4,533,334	29 Nov 2011	08 Feb 2012	4,533,334	100%	-	0.020	\$0.005832	30 Nov 2014
	4,533,333	29 Nov 2011	31 Dec 2012	4,533,333	100%	-	0.025	\$0.005042	30 Nov 2014
	4,533,333	29 Nov 2011	31 Dec 2013	4,533,333	100%	-	0.030	\$0.004419	30 Nov 2014
Specified Executives									
D Aliyu	2,266,666	14 Dec 2011	31 Dec 2011	2,266,666	100%	-	0.027	\$0.005929	30 Nov 2014
	2,266,667	14 Dec 2011	31 Dec 2012	2,266,667	100%	-	0.035	\$0.004911	30 Nov 2014
	2,266,667	14 Dec 2011	31 Dec 2013	2,266,667	100%	-	0.045	\$0.003996	30 Nov 2014

11.5 Equity Instruments held by key management personnel

Options and rights over equity instruments

The number of options over ordinary shares in the Company granted as compensation and held at year end, by each Director of the Consolidated Group and other key management personnel of the Consolidated Group, including their personally-related parties, are shown on the following table.

	Held at 1 July 2013	Expired	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Directors					
N Warburton	6,800,000	-	6,800,000	2,266,667	6,800,000
M Elias	6,800,000	-	6,800,000	2,266,667	6,800,000
B Bell	13,600,000	-	13,600,000	4,533,333	13,600,000
M Ramsden	6,800,000	-	6,800,000	2,266,667	6,800,000
D Marinelli	6,800,000	-	6,800,000	2,266,667	6,800,000
Executives					
D Aliyu	6,800,000	-	6,800,000	2,266,667	6,800,000

No options were granted or exercised during the year.

AUSTRALIAN MINES LIMITED

DIRECTORS' REPORT

11. REMUNERATION REPORT – AUDITED (cont.)

11.5 Equity Instruments held by key management personnel

Movement in shares

The movement during the reporting period in the number of ordinary shares held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2013	Purchases	Sales	Held at Resignation	Held at 30 June 2014
Directors					
M Ramsden (i)	20,524,156	2,233,567	-	-	22,757,723
B Bell (ii)	2,052,717	600,000	-	-	2,652,717
N Warburton (iii)	4,116,564	-	-	-	4,116,564
M Elias (iv)	2,000,000	-	-	-	2,000,000
D Marinelli (v)	22,698,573	-	-	-	22,698,573
Executives					
D Aliyu	29,930,722	-	-	-	29,930,722

- (i) Mr M Ramsden has a relevant interest in the following shares – 2,533,803 shares held by Pacrim Investment Consultants Pty Ltd <Pacrim Superannuation Fund>, 17,424,575 shares held by Pacrim Investment Consultants Pty Ltd <Super Fund A/C>, 565,778 shares owned by Whitehaven Investments Pty Ltd <Ramsden Family Trust>, and 2,233,567 shares held by Doverpoint Pty Ltd. (Whitehaven Investments Pty Ltd <Ramsden Family Trust> also holds 248,175 shares in trust for an unrelated party, and Terrain Capital Limited holds 124,087 shares in trust for an unrelated party.)
- (ii) Mr B Bell has a relevant interest in 2,652,717 shares owned by B & R Bell <Kestrel Investment Fund>.
- (iii) Mr N Warburton has a relevant interest in the following shares – 1,946,563 shares held by Michlange Pty Ltd <Warburton Family Trust> and 2,170,001 held by Michlange Pty Ltd <Warburton Super Fund>.
- (iv) Mr M Elias has a relevant interest in 2,000,000 shares held by M & C Elias <Elias Super Fund>.
- (v) Mr D Marinelli has a relevant interest in the following shares – 6,589,022 shares held by Dominic Marinelli and Vicki Marinelli <Monte Amaro Super Fund>, and 16,109,551 shares held by Dominic Orlando Marinelli <The Monte Acquaviva Trust>.

11.6 Remuneration consultants

The remuneration committee has not engaged any remuneration consultants during the year

11.7 Voting and comments made at the company's 2014 Annual General Meeting

The Company received 98% “for” votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices.

11.8 Loans to key management personnel

There were no loans made during the year to key management personnel.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

11. REMUNERATION REPORT – AUDITED (cont.)

11.9 Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel were as follows:

Director	Transaction	2014	2013
		\$	\$
Mr M Elias	Geological Consulting fees (i)	33,115	-

- (i) The Group used the geological services of CSA Global Pty Ltd, a company significantly influenced by Mr M Elias. Amounts were billed based on normal market rates for these types of services, and amounts are payable under normal monthly payment terms. No amounts were owing to CSA Global Pty Ltd at 30 June 2014 or 30 June 2013.

Apart from the details disclosed in the Remuneration Report, no director has entered into a material contract with the Consolidated Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

This is the end of the audited Remuneration Report

12. CORPORATE GOVERNANCE

The Consolidated Group's corporate governance policies and practices are set out in pages 66 to 74.

13. ENVIRONMENTAL REGULATIONS

The Consolidated Group has conducted mining and exploration activities on mineral tenements. The right to conduct these activities is granted, subject to environmental conditions and requirements. The Consolidated Group aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. The Consolidated Group complied with these environment regulations during the year.

14. FINANCIAL REPORTING

The Directors have declared, in writing to the Board that the Company's financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

15. INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the officers against liability and provide access to all Board papers relevant to defending any claim brought against the officers in their capacity as officers of the Company.

The Company has paid insurance premiums during the year of \$6,485 (2013: \$8,930) in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company.

16. NON-AUDIT SERVICES

During the year BDO, the Consolidated Group's auditor, did not perform any services other than their statutory audits. Refer to Note 7 for auditor's remuneration.

In the event that non-audit services are provided by BDO, the board has established subsequent to year-end certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- Non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- Ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the consolidated Group, acting as an advocate for the Consolidated Group or jointly sharing risks and rewards.

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 19 and forms part of this Directors' Report for the year ended 30 June 2014.

This report is made with a resolution of the Directors.



Benjamin Bell
Managing Director
Dated: 24 September 2014

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor of Australian Mines Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Mines Limited and the entities it controlled during the period.



Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 24 September 2014

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
Other income	4	8,126	2,920
Personnel Expenses	5	(607,468)	(683,426)
Impairment of exploration	6	-	(7,328,896)
Depreciation and amortisation	6	(83,632)	(80,405)
Corporate overheads and indirect expenses	6	(394,676)	(292,166)
Results from operating activities		(1,077,650)	(8,381,973)
Finance income	8	84,231	180,098
Finance costs	8	-	(27,769)
Net finance income		84,231	152,329
Loss before income tax		(993,419)	(8,229,644)
Income tax	9	-	-
Loss after income tax		(993,419)	(8,229,644)
Other comprehensive (loss)/income			
Items that may be reclassified <i>subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations	19	(164,371)	378,934
Other comprehensive (loss)/income		(164,371)	378,934
Total comprehensive loss for the period		(1,157,790)	(7,850,710)
Loss per share for the year attributable to the members of Australian Mines Ltd			
Basic loss per share (cents)	10	(0.15)	(1.23)
Diluted loss per share (cents)	10	(0.15)	(1.23)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

		Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Foreign Exchange Reserve	Total Equity
		\$	\$	\$	\$	\$	\$
Notes							
Contributions by and distribution to members							
Opening balance at 1 July 2012		33,123,544	(22,001,602)	168,424	1,147,628	32,954	12,470,948
Total comprehensive income for the period:							
(Loss) for the year		-	(8,229,644)	-	-	-	(8,229,644)
Other comprehensive income	19	-	-	-	-	378,934	378,934
Total comprehensive income/(loss) for the period		-	(8,229,644)	-	-	378,934	(7,850,710)
Transactions with owners, recorded directly in equity							
Share based payment transactions	19	-	-	-	58,651	-	58,651
Shares issued during the year	19	22	-	-	-	-	22
Transaction costs from issue of shares	19	(1,500)	-	-	-	-	(1,500)
Total transactions with owners, recorded directly in equity		(1,478)	-	-	58,651	-	57,173
Closing balance at 30 June 2013		33,122,066	(30,231,246)	168,424	1,206,279	411,888	4,677,411

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

		Issued Capital	Accumulated Losses	Share Option Reserve	Share Based Payment Reserve	Foreign Exchange Reserve	Total Equity
		\$	\$	\$	\$	\$	\$
Contributions by and distribution to members	Notes						
Opening balance at 1 July 2013		33,122,066	(30,231,246)	168,424	1,206,279	411,888	4,677,411
Total comprehensive income for the period:							
(Loss) for the year		-	(993,419)	-	-	-	(993,419)
Other comprehensive (loss)/income	19	-	-	-	-	(164,371)	(164,371)
Total comprehensive loss for the period		-	(993,419)	-	-	(164,371)	(1,157,790)
Transactions with owners, recorded directly in equity							
Share based payment transactions	19	-	-	-	13,900	-	13,900
Shares issued during the year	19	-	-	-	-	-	-
Transaction costs from issue of shares	19	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity		-	-	-	13,900	-	13,900
Closing balance at 30 June 2014		33,122,066	(31,224,665)	168,424	1,220,179	247,517	3,533,521

The Consolidated Statement of Changes in Equity is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	11	1,700,487	487,510
Trade and other receivables	13	27,013	2,784,642
TOTAL CURRENT ASSETS		1,727,500	3,272,152
NON-CURRENT ASSETS			
Exploration and evaluation assets	15	2,003,597	1,786,296
Property, plant and equipment	16	42,364	154,771
TOTAL NON-CURRENT ASSETS		2,045,961	1,941,067
TOTAL ASSETS		3,773,461	5,213,219
CURRENT LIABILITIES			
Trade and other payables	17	215,861	498,906
Employee benefits	18	24,079	36,902
TOTAL CURRENT LIABILITIES		239,940	535,808
TOTAL LIABILITIES		239,940	535,808
NET ASSETS		3,533,521	4,677,411
EQUITY			
Contributed equity	19	33,122,066	33,122,066
Reserves	19	1,636,120	1,786,591
Accumulated losses	20	(31,224,665)	(30,231,246)
TOTAL EQUITY		3,533,521	4,677,411

The Consolidated Statement of Financial Position is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

		Consolidated	
	Notes	2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and employees		(1,096,137)	(1,162,267)
Interest received		84,231	69,098
Sundry Income		90	2,920
Net cash used in operating activities	12	(1,011,816)	(1,090,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(285,114)	(2,197,109)
Payments for property, plant and equipment		20,581	(102,815)
Proceeds from sale of assets held for sale	14	2,500,000	700,000
Net cash provided by/(used in) investing activities		2,235,467	(1,599,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue costs		-	(1,478)
Net cash (used in)/provided by financing activities		-	(1,478)
Net increase/(decrease) in cash held		1,223,651	(2,691,651)
Cash at the beginning of the financial year		487,510	3,197,294
Effects of exchange rate changes on cash		(10,674)	(18,133)
Cash at the end of the financial year	11	1,700,487	487,510

The Consolidated Statement of Cash Flows is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. REPORTING ENTITY

Australian Mines Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 83 Havelock Street West Perth WA 6005 Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Group') and the Consolidated Group's interest in jointly controlled entities.

The Consolidated Group is a for-profit entity and is primarily involved in the exploration for gold in Australia.

The consolidated financial statements were authorised for issue by the directors on 24 September 2014.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') (including interpretations) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Consolidated Group.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: available-for-sale financial assets and non-derivative financial instruments measured at fair value through profit and loss.

Certain comparative amounts have been reclassified to conform to current year presentation.

(d) Use of judgements and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

2. BASIS OF PREPARATION (cont.)

Judgements made by management that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3(m).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates at the dates the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Property, plant and equipment (cont.)

(i) Owned assets

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see note 3(f)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Mining property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to the production phase.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Consolidated Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy note 3(f)). Lease payments are accounted for as described in accounting policy note 3(i).

(iii) Subsequent costs

The Consolidated Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

With the exception of freehold land and mining property and development assets, depreciation is charged to the income statement on a straight-line basis over the estimated life of the asset, using rates per annum as set out below:

	2014	2013
Buildings	33%	33%
Plant & equipment	33%	33%
Leased plant & equipment	25%	25%

Land is not depreciated, while buildings on mining tenements are given a short life. Exploration and development costs for reserves not yet in production are not amortised.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note, accounting policy note 3(f)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to mining property and development assets within property, plant and equipment.

(e) Financial instruments

(i) Non-derivative financial assets

The Consolidated Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Consolidated Group becomes a party to the contractual provisions of the instrument.

The Consolidated Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Financial instruments (cont.)

The Consolidated Group has the following non-derivative financial assets: loans and receivables, and cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(f)).

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Consolidated Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Consolidated Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Consolidated Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Consolidated Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Consolidated Group on terms that the Consolidated Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Consolidated Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Consolidated Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Impairment (cont.)

(i) Non-financial assets

The carrying amounts of the Consolidated Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Long-term service benefits

The Consolidated Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Consolidated Group's obligations.

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) Employee benefits (cont.)

(iii) Share-based payment transactions

The share option programme allows Consolidated Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recorded over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black - Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(iv) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(h) Provisions

A provision is recognised in the balance sheet when the Consolidated Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Mine rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cashflows. The estimated cost of rehabilitation includes the current cost of re-contouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in mining property and development assets.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount, which is recognised as a finance cost in the income statement as it occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Provisions (cont.)

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the income statement in the period in which it occurs.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the income statement as incurred. Changes in the liability are charged to the income statement as rehabilitation expense, other than the unwinding of the discount which is recognised as a finance cost.

(i) Leases

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

(j) Finance income and expenses

Finance income comprises interest income on funds invested and fair value gains on financial assets at fair value through profit and loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Income tax (cont.)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entity, Blair Nickel Mine Pty Ltd, formed a tax-consolidated group with effect from 9 April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Mines Limited. From 29 June 2012, Nigeria Gold Pty Ltd was added to the tax-consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Income tax (cont.)

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(l) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Accounting estimates and judgments

Management discussed with the Board the development, selection and disclosure of the Consolidated Group's critical accounting policies and estimates and the application of these policies and estimates.

Note 21 contains detailed analysis of the interest rate and liquidity risk of the Consolidated Group.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The significant estimates and judgements are as follows:

(i) Mine rehabilitation and site restoration provision

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Accounting estimates and judgments (cont.)

The Consolidated Group assesses its mine rehabilitation provision at each balance date in accordance with accounting policy 3(h). Significant judgement is required in determining the provision for mine rehabilitation. Factors that will affect this liability include changes in technology and price increases. When these factors change, such differences will impact the site rehabilitation provision and asset in the period in which they change.

(ii) Fair Value of Share Based Payment Transactions

The fair value of the employee option plan is measured using the Black Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, risk-free interest rate.

(iii) Impairment of exploration and evaluation assets.

The ultimate recoupment of the value of exploration and evaluation assets is dependent of successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Consolidated Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of those assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key issues that are considered in this review include:

- Recent drilling results and reserves and resources estimates;
- Environmental issues that may impact the underlying tenements;
- The estimated market value of assets at the review date;
- Independent valuations of the underlying assets that may be available;
- Fundamental economic factors such as the gold and nickel price, exchange rates and current and anticipated operating costs in the industry; and

Information used in the review process is rigorously tested to externally available information as appropriate. In addition, an allocation of the costs of acquired mineral rights to individual projects was performed during the year. This allocation process required estimates and judgement as to the value of these projects acquired.

The fair value of exploration assets is based on fair value less costs to sell, using a multiples of exploration method. The impairment of mining tenements is assessed in accordance with accounting policy 3(f).

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Segment reporting

An operating segment is a component of the Consolidated Group that engages in business activities of which it may earn revenue and incur expenses. Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(o) Assets held for sale

Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are remeasured in accordance with the Consolidated Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, assets are not amortised or depreciated.

(p) New and amended standards adopted by the Group

The Consolidated Group has applied the following standards and amendments for first time for the annual reporting period commencing 1 July 2013:

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity. The adoption of this standard did not have a material impact on the financial position or performance of the Consolidated Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) New and amended standards adopted by the Group (cont.)

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013 and thus, became applicable to the Group for the first time in the current reporting period. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of AASB 11 had no material impact on the financial position or performance of the Consolidated Group.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard significantly increases the amount of disclosures required by the consolidated entity such as significant judgments and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved. The adoption of this standard had no material impact on the financial position or performance of the Consolidated Group.

AASB 13 Fair Value Measurement

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 January 2013 together with consequential amendments to other Standards. These Standards are mandatorily applicable from 1 January 2013 and thus, became applicable to the Group for the first time in the current financial year. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. The adoption of AASB 13 had no material impact on the financial position or performance of the Group.

AASB 119 Employee Benefits

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later requires annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of this standard had no material impact on the financial position or performance of the Consolidated Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) New and amended standards adopted by the Group (cont.)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. The adoption of this standard had no material impact on the financial position or performance of the Consolidated Group.

(q) New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They have not been applied in preparing this financial report.

AASB 9 Financial Instruments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by The Group. **(r) Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest. Where this fair value is determined for disclosure purposes the market rate of interest is that at reporting date. Where this fair value is determined when acquired in a business combination, the market rate of interest is that at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(r) Determination of fair values (cont)

(ii) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

	2014	2013
	\$	\$
4. OTHER INCOME		
Gain on sale of fixed assets	8,036	-
Sundry income	90	2,920
	<u>8,126</u>	<u>2,920</u>
5. PERSONNEL EXPENSES		
Wages and salaries	309,870	306,699
Non-executive directors fees	221,355	234,817
Other associated personnel expenses	2,609	7,088
Contributions to superannuation funds	45,365	55,049
Increase in leave liability	14,369	21,122
Employee option expenses (note 19)	13,900	58,651
	<u>607,468</u>	<u>683,426</u>
6. OTHER EXPENSES		
Depreciation and amortisation of:		
Plant and equipment	83,632	79,805
Plant and equipment leased	-	600
	<u>83,632</u>	<u>80,405</u>
Impairment of Exploration:		
Impairment of Exploration	-	7,328,896
Corporate overheads and indirect expenses		
Loss on disposal of assets	14,560	6,188
Insurance	13,019	16,639
Travel and Accommodation	28,551	13,565
Exploration	1,139	6,452
Other Fees and Services	238,151	225,194
General Administration	99,256	24,128
	<u>394,676</u>	<u>292,166</u>

	2014 \$	2013 \$
7. AUDITOR'S REMUNERATION		
Audit services		
Auditors of the company – BDO (2013: KPMG Australia)		
- Audit and review of financial reports	31,606	48,768
Total for year	31,606	48,768
8. FINANCE INCOME AND FINANCE COSTS		
Interest income	84,231	69,098
Notional interest income adjustment to receivables	-	111,000
Finance income	84,231	180,098
Interest expense	-	(27,769)
Finance costs	-	(27,769)
Net finance income	84,231	152,329
9. INCOME TAX EXPENSE		
Current tax expense/(benefit)		
Current year	(293,386)	(794,881)
Adjustment for prior periods	-	-
	(293,386)	(794,881)
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	-	-
Recognition of previously unrecognised tax losses	-	-
Current year losses for which no deferred tax asset was recognised	293,386	794,881
	293,386	794,881
Total income tax in income statement	-	-

	2014	2013
	\$	\$
9. INCOME TAX EXPENSE (cont.)		
Numerical reconciliation between tax expense and pre-tax profit		
Loss for the period	(993,419)	(8,229,644)
Income tax benefit using the domestic corporate tax rate of 30% (2013: 30%)	(298,026)	(2,468,893)
Increase in income tax expense due to:		
Non-deductible expenses	4,640	1,674,012
Tax losses not brought to account	293,386	794,881
Income tax expense	-	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	5,574,189	5,280,803
The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Group can utilise the benefits from.		
Recognised deferred tax assets and liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Exploration	(586,080)	(535,889)
Capital raising costs	3,491	34,004
Property Plant & Equipment	450	313
Provisions	7,224	11,071
Accruals	4,500	9,495
Tax losses	570,415	481,006
Net deferred tax assets	-	-
Movements in temporary differences		
Exploration	50,191	154,201
Capital raising costs	30,513	(34,760)
Property Plant & Equipment	(137)	313
Provisions	3,847	(76,163)
Accruals	4,995	9,495
Total movement in temporary differences	89,409	53,086

	2014	2013
	\$	\$
10. LOSS PER SHARE		
Basic loss per share (cents)	(0.15)	(1.23)
Diluted loss per share (cents)	(0.15)	(1.23)

The calculation of basic loss per share at 30 June 2014 was based on the continuing operating loss attributable to ordinary shareholders of \$993,419 (2013 loss: \$8,229,644) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 666,911,575 (2013: 666,911,015), calculated as follows:

Number of ordinary shares	2014	2013
Issued ordinary shares at 1 July	666,911,575	666,911,015
Exercise of options	-	560
Issued for acquisition of subsidiaries	-	-
Issued ordinary shares at 30 June	666,911,575	666,911,575
Weighted average number of ordinary shares for year ending 30 June	666,911,575	666,911,015

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2014 was based on loss attributable to ordinary shareholders of \$993,419 (2013: \$8,229,644) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2014 of 666,911,575 (2013: 666,911,015). There were options for a further 47,600,000 (2013: 47,600,000) potential ordinary shares on issue at 30 June 2014, that are not considered dilutive as the Consolidated Group made a loss for the year ended 30 June 2014.

	2014	2013
	\$	\$
11. CASH AND CASH EQUIVALENTS		
Bank balances	70,487	159,742
Term Deposits (ii)	1,630,000	327,768
Cash and cash equivalents in the statement of cash flows	<u>1,700,487</u>	<u>487,510</u>

(i) These deposits are available in the short term and as such form part of the Group's cash and cash equivalents balance.

Refer to Note 21 for Financial Risk Management

12. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities:

Net (loss)	(993,419)	(8,229,644)
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Add/(less) items classified as investing/financing activities:

(Profit)/loss on sale of investment	6,524	6,188
Interest	-	(222,000)
Depreciation and amortisation	83,632	80,405
Impairment of capitalised exploration	-	7,328,896
Exploration expenditure not capitalised	872	6,452
Option expense	13,900	58,651

Movement in operating assets and liabilities:

Decrease/(increase) in receivables	7,630	(219,856)
Increase/(decrease) in payables	(118,132)	79,537
Increase/(decrease) in employee leave provisions	(12,823)	21,122

Net cash used in operating activities	<u>(1,011,816)</u>	<u>(1,090,249)</u>
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	2014	2013
	\$	\$
13. TRADE AND OTHER RECEIVABLES		
Current		
Unsecured amount receivable on sale of tenements (i)	-	2,750,000
Other debtors and prepayments	27,013	34,642
	<u>27,013</u>	<u>2,784,642</u>

(i) This amount was received in full on 2 July 2013.

Other debtors and prepayments arise from transactions outside the usual operating activities of the Group. As at 30 June 2014 there was no impairment of other debtors and prepayments (2013: nil). The group's impairment policies for trade and other receivables are outlined in note 3(f).

Refer to Note 21 for information about the Group's Financial Risk Management.

14. ASSETS HELD FOR SALE

On 29 July 2011 the Company signed an agreement to sell the Mt Martin gold project and surrounding tenements for \$7,500,000 cash. The total \$7,500,000 has been received with the final instalment of \$2,500,000 received on 2 July 2013.

On 10 July 2012 the Company signed a binding Sale and Purchase Agreement for the sale of the Australian tenements – the Group's Blair Nickel Mine and Golden Ridge Project - to Pioneer Resources Limited for a cash consideration of \$700,000, which was received during the year ended 30 June 2013.

An impairment loss of \$3,102,465 was recognised in a prior year, to reduce the carrying value of the assets sold this year to the proceeds subsequently received.

Assets classified as held for sale –	2014	2013
Exploration expenditure:	\$	\$
Opening balance	-	975,000
Assets sold	-	(975,000)
Exploration expenditure	-	-
Liabilities classified as held for sale -		
Provision for mine rehabilitation	-	-

	2014	2013
	\$	\$
15. EXPLORATION AND EVALUATION ASSETS		
Exploration and evaluation		
Opening balance	1,786,296	6,550,725
Acquisition of assets	50,000	-
Expenditure incurred for year	167,301	2,564,467
Exploration expenditure impairment	-	(7,328,896)
Exploration costs carried forward	<u>2,003,597</u>	<u>1,786,296</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 has entered into a farm-in and joint venture agreement with Mount Magnet South NL (ASX: MUM) over the Foothills copper-gold prospect in the Murchison Goldfield region of Western Australia. Australian Mines may acquire a 60% interest in the project by spending \$1 million on exploration within an initial two year period. Australian Mines may acquire an additional 20% interest in the Project by spending a further \$2 million on exploration within 48 months of the completion of the initial 60% acquisition.

In April 2014 Australian Mines entered into a Heads of Agreement with Riedel Resources (ASX: RIE) over the Marymia nickel-copper-gold project. Australian Mines may acquire a 51% interest in the Marymia project by making cash payments to Riedel Resources of \$250,000 by 30 October 2014 and spending \$1 million on exploration within an initial two year period. Following the acquisition of the initial 51% Australian Mines may acquire an additional 29% interest (taking the total to 80%) in the Project by spending a further \$2 million on exploration within a further 36 month period.

16. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At cost	188,026	339,693
Accumulated depreciation	(145,662)	(184,922)
Total property, plant and equipment	<u>42,364</u>	<u>154,771</u>

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment

Carrying amount at beginning of year	154,771	120,899
Additions	524	102,815
Disposals	(27,630)	(5,488)
Depreciation	(83,632)	(79,805)
Foreign currency exchange differences	(1,669)	16,350
Carrying amount at the end of Year	<u>42,364</u>	<u>154,771</u>

	2014	2013
	\$	\$
17. TRADE AND OTHER PAYABLES		
Current (unsecured)		
Trade creditors and accruals	190,861	468,365
Other creditors and accruals	25,000	30,541
	<u>215,861</u>	<u>498,906</u>

All trade creditors and accruals are expected to be settled within the normal trading terms.

Other creditors and accruals relates to the Marriott's off take agreement and is not expected to be paid within 12 months.

18. EMPLOYEE BENEFITS

Current

Liability for annual leave	24,079	36,902
	<u>24,079</u>	<u>36,902</u>

Share based payments

The Board introduced the Australian Mines Limited Employee Option Plan in 2004, an equity-based employee option scheme, to promote continuity of employment and to provide additional incentive to increase shareholder wealth. Equity-based employee option schemes are provided as options over ordinary shares of the Company and may be issued to directors, executives and employees.

Persons eligible to participate in the Australian Mines Employee Option Plan ('Plan') include Directors (subject to shareholder approval) and all employees of the Company. Options are granted under the plan for no consideration for a maximum period of 5 years and can be exercised at any time between the date the option is granted and the expiry date.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of securities offered to shareholders of the Company during the currency of the options. An option holder is required to exercise options in order to participate in any new issue of securities offered to shareholders by the Company for subscription on a pro rata basis.

Options are only capable of exercise if the minimum service period is met. The minimum service period will be waived so as to not be applicable in the event of a takeover offer or a merger of the Company. Each option exercised will entitle the holder to one ordinary share in the capital of the Company.

Where the employee ceases for any reason to be employed with the Company, all unexercised options automatically expire 14 days after the date of ceasing to be employed.

No options terms have been altered or modified during the year or the prior year.

18. EMPLOYEE BENEFITS (cont.)

Share based payments (cont.)

As a result of the plan, there are currently 47,600,000 (2013: 47,600,000) unissued shares of the Company under option. The fair value of the options is estimated at the date of grant using the Black-Scholes model. There were no options issued under the plan during the year ended 30 June 2014 (2013: Nil).

The options outstanding as at 30 June 2014 have an exercise price in the range of \$0.020 to \$0.045 (2013: \$0.020 to \$0.045) and a weighted average remaining contractual life of 0.42 years (2013: 1.42 years).

	2014 \$	2013 \$
Share Based Payment Expenses		
Employee/Director transactions	13,900	58,651

Terms and Conditions of Options Granted to Directors and Employees as Remuneration:

Grant Date	Vesting Date	Number Granted	On Issue at 30 June 2014	Exercisable at 30 June 2014	Exercise Price	Fair Value	Expiry Date
29-Nov-11	08-Feb-12	4,533,334	4,533,334	4,533,334	2.0c	5.83c	30-Nov-14
29-Nov-11	31-Dec-12	4,533,333	4,533,333	4,533,333	2.5c	5.04c	30-Nov-14
29-Nov-11	31-Dec-13	4,533,333	4,533,333	4,533,333	3.0c	4.42c	30-Nov-14
29-Nov-11	31-Dec-11	9,066,664	9,066,664	9,066,664	2.7c	4.78c	30-Nov-14
29-Nov-11	31-Dec-12	9,066,668	9,066,668	9,066,668	3.5c	3.92c	30-Nov-14
29-Nov-11	31-Dec-13	9,066,668	9,066,668	9,066,668	4.5c	3.16c	30-Nov-14
14-Dec-11	31-Dec-11	2,266,666	2,266,666	2,266,666	2.7c	5.93c	30-Nov-14
14-Dec-11	31-Dec-12	2,266,667	2,266,667	2,266,667	3.5c	4.91c	30-Nov-14
14-Dec-11	31-Dec-13	2,266,667	2,266,667	2,266,667	4.5c	4.00c	30-Nov-14
		47,600,000	47,600,000	47,600,000			

The key inputs into determining the fair value at grant date of the options above are set out in Note 19.

No options were granted to Directors and employees as remuneration in the current year.

18. EMPLOYEE BENEFITS (cont.)**Share based payments (cont.)**

The number and weighted average exercise price of employee share options is as follows:

	Exercise price	Number of options	Exercise price	Number of options
	2014	2014	2013	2013
Outstanding at 1 July	3.26c	47,600,000	3.26c	47,600,000
Granted during the year		-		-
Cancelled during the year		-		-
Forfeited during the year		-		-
Outstanding at 30 June	3.26c	<u>47,600,000</u>	3.26c	<u>47,600,000</u>
Exercisable at 30 June	3.26c	<u>47,600,000</u>	2.86c	<u>31,733,322</u>

No employee share options were exercised during the year (2013: nil).

2014	2013
\$	\$

19. CAPITAL AND RESERVES**Issued and paid up capital**

666,911,575 (2013: 666,911,575) ordinary shares, fully paid	<u>33,122,066</u>	<u>33,122,066</u>
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Reconciliation of contributed equity

Balance at beginning of year	33,122,066	33,123,544
Shares issued during the year:		
Options exercised (2013: 560 Options at 4.0 cents)	-	22
Costs of capital raising	-	(1,500)
Balance at end of year	<u>33,122,066</u>	<u>33,122,066</u>

The Company does not have authorised capital or par value in respect of its issued shares.

	2014 \$	2013 \$
19. CAPITAL AND RESERVES (cont.)		
Foreign Exchange Reserve		
Balance at beginning of year	411,888	32,954
Foreign currency translation differences for foreign operations	(164,371)	378,934
Balance at end of year	247,517	411,888
Share Option Reserve		
Balance at beginning of year	168,424	168,424
Options issued to shareholders	-	-
Balance at end of year	168,424	168,424
Share Based Payments Reserve		
Balance at beginning of year	1,206,279	1,147,628
Share based payment employees/directors transactions	13,900	58,651
Balance at end of year	1,220,179	1,206,279
Total Reserves	1,636,120	1,786,591

The Foreign Exchange Reserve comprises all foreign currency differences arising from the translation of the financial statement of foreign operations.

The Share Option Reserve represents the cost of options issued to shareholders.

The Share Based Payment Reserve represents the fair value of share options granted. The estimate of fair value of the services received is based on the Black-Scholes model. The calculated fair value is based on parameters as set out below.

19. CAPITAL AND RESERVES (cont.)

	2014	2013
Listed Options		
Options at 1 July	-	59,563,052
Options converted	-	(560)
Options expired at 30 June	-	(59,562,492)
Closing balance at 30 June	-	-

Unlisted Options

During the year ended 30 June 2012 there were 47,600,000 unlisted options issued to executives of the company under the Employees Option Plan (see note 18).

The fair value of these options as shown in the Directors' Report was based on the Black Scholes options pricing model and the following:

	Directors Options	Employees Options
Share price at date granted	1.4c	1.6c
Risk free rate	3.145%	3.145%
Volatility factor	75%	75%

	2014 \$	2013 \$
20. ACCUMULATED LOSSES		
Balance at beginning of year	(30,231,246)	(22,001,602)
Net (loss) for the year	(993,419)	(8,229,644)
Accumulated losses at end of year	(31,224,665)	(30,231,246)

21. FINANCIAL RISK MANAGEMENT

Overview

The Consolidated Group has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk
- Currency risk

This note presents information about the Consolidated Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

21. FINANCIAL RISK MANAGEMENT (cont.)

The Board of Directors has overall responsibility for the establishment and oversight of the risk of the management framework. The Board is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Consolidated Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Group's activities.

The Consolidated Group does not enter into financial instruments for trade or speculative purposes. However in the normal course of its business, it is exposed to interest rate and liquidity risks, credit risk and foreign currency risk.

(a) Interest rate risk

The Consolidated Group does not have a policy in place to hedge interest rate risks.

The Consolidated Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted average interest rate	6 months or less	6 – 12 months	1 to 5 years	Non-interest bearing	Total
		\$	\$	\$	\$	\$
2014						
<i>Financial assets</i>						
Cash and cash equivalents	3.36% (variable)	1,700,487	-	-	-	1,700,487
Trade and other receivables		-	-	-	27,013	27,013
		1,700,487	-	-	27,013	1,727,500
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	215,861	215,861
		-	-	-	215,861	215,861
2013						
<i>Financial assets</i>						
Cash and cash equivalents	4.59% (variable)	487,510	-	-	-	487,510
Trade and other receivables		-	-	-	2,759,047	2,759,047
		487,510	-	-	2,759,047	3,246,557
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	498,906	498,906
		-	-	-	498,906	498,906

21. FINANCIAL RISK MANAGEMENT (cont.)

Sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have resulted in the following impact on profit or loss, assuming the amounts of variable rate instruments at 30 June were constant throughout the preceding year. A change in interest rates does not impact equity.

	2014 \$	2013 \$
Net financial assets subject to variable interest rates	1,700,487	487,510
Decrease in loss resulting from a 1% pa increase in variable interest rates	17,005	4,875
(Increase) in loss resulting from a 1% pa decrease in variable interest rates	(17,005)	(4,875)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Consolidated Group manages its liquidity risk by monitoring cashflows using monthly cashflow forecasts and by paying creditors on 30 day terms.

The following are the Consolidated Group's contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$	Contractual cash flows \$	6 months or less \$	6 to 12 months \$	1 to 5 years \$
2014					
Trade and other payables	215,861	215,861	215,861	-	-
	215,861	215,861	215,861	-	-
2013					
Trade and other payables	498,906	498,906	498,906	-	-
	498,906	498,906	498,906	-	-

21. FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's cash held at banks and trade receivables. The Consolidated Group lodges its cash deposits with international banks of good standing.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was as follows:

	Carrying Amount 2014	Carrying Amount 2013
	\$	\$
Cash at bank	1,700,487	487,510
Unsecured receivable	-	2,750,000
Other Debtors	14,495	9,047
	<u>1,714,982</u>	<u>3,246,557</u>

<i>Cash at Bank</i>	2014	2013
	\$	\$
Standard & Poor's rating AA-	1,700,487	487,510

Unsecured Receivables

Unsecured receivables relates to amounts receivable for the sale of the Australian mining tenements. The total balance has been received on 2 July 2013.

(d) Currency risk

The Consolidated Group is exposed to currency risk on receivables and borrowings that are denominated in a currency other than the Australian Dollar. The Group minimises this risk by limiting funds held in overseas bank accounts and paying its creditors promptly.

The Group's exposure to foreign currency risk on Nigerian Naira assets and liabilities which have been translated to Australian Dollars at year end was as follows:

	2014		2013	
	AUD	Naira	AUD	Naira
	\$	N	\$	N
Cash at bank	13,828	2,105,884	11,496	1,682,277
Debtors and prepayments	10,805	1,645,515	32,992	4,827,874
Creditors and accruals	-	-	(128,716)	(18,835,700)
	<u>24,633</u>	<u>3,751,399</u>	<u>(84,228)</u>	<u>(12,325,549)</u>

21. FINANCIAL RISK MANAGEMENT (cont.)

(d) Currency risk (cont.)

A movement of the AUD against the Nigerian Naira would have increased/(decreased) equity and loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date, applied to the external Naira assets and liabilities at year end and to Naira expenditure during the year.

	2014		2013	
	Equity	Profit/(Loss)	Equity	Profit/(Loss)
	\$	\$	\$	\$
AUD strengthens by 10%	2,239	9,021	24,702	16,279
AUD weakens by 10%	-2,239	-9,021	-24,702	-16,279

(e) Capital management

The Consolidated Group monitors its capital performance and reviews its adequacy at regular intervals to ensure it is achieving a reasonable return on capital. There are no externally imposed capital requirements. The directors monitor the market capitalisation and net assets of the Consolidated Group to ensure performance is maintained for shareholders.

(f) Fair values

The fair values of significant financial assets and liabilities approximates the carrying amounts shown in the Statement of Financial Position.

22. COMMITMENTS

	2014	2013
	\$	\$
Lease of offices		
Within one year	31,995	60,622
Exploration expenditure commitment		
Within one year	765,671	-
Between 12 months and 5 years	500,000	-
	1,265,671	-

In accordance with the relevant joint venture and heads of agreements there are requirements to meet minimum spending levels in order to acquire an interest in the projects. The Consolidated Group can acquire a 51% interest in the Marymia project by making cash payments to Riedel Resources of \$250,000 by 30 October 2014 and spending \$1 million on exploration within an initial two year period.

22. COMMITMENTS (cont.)

The Group has entered into a Farm-In and Joint Venture Agreement with Mount Magnet South NL for the Jumbulyer gold and copper project. Australian Mines has the right to withdraw from the Agreement subject to spending a minimum of \$200,000 on exploration on the Project. As at 30 June 2014, \$184,329 of the minimum \$200,000 had been spent on exploration. The balance was spent in July 2014.

There are no minimum exploration requirements on the Nigerian tenements, but there is a commitment to an annual rental which is included above.

23. CONTINGENT LIABILITIES

The Company'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 Company.

24. CONSOLIDATED ENTITIES

Parent entity	Country of Incorporation	Ownership interest	
		2014	2013
Australian Mines Limited	Australia		
Subsidiaries			
Blair Nickel Mine Pty Ltd	Australia	100%	100%
Nigeria Gold Pty Ltd	Australia	100%	100%
Mines Geotechniques Ltd	Nigeria	100%	100%

25. INTEREST IN UNINCORPORATED JOINT VENTURES

At 30 June there was no controlling interest in unincorporated Joint Ventures however the Consolidated Group has the opportunity to invest in the Marymia Farm-in Joint Venture (see note 22).

26. SUBSEQUENT EVENTS

On 13 August 2014 the Company announced a non-renounceable rights issue for all Australian and New Zealand shareholders at \$0.013 per ordinary share. Eligible shareholders will be offered 1 new ordinary share for every 5 existing ordinary shares held. The maximum number of new shares offered will be approximately 114,074,939 and will raise approximately \$1.48 million. The funds from the rights issue will be used to fund the maiden drill program of the Simmons nickel prospect, which is within the Marymia Project. The offer is fully underwritten by Terrain Capital Markets Limited.

27. SEGMENT INFORMATION

The Company operates predominantly in two reportable geographical segments being mining and exploration activities in Australia and Nigeria.

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

	Australian Exploration \$	Nigerian Exploration \$	Total \$
For the Year Ended 30 June 2014			
External income	49	8,077	8,126
Impairment expense	-	-	-
Segment Profit/(Loss)	49	8,077	8,126
Reconciliation of reportable segments:			
- Corporate income			84,231
- Corporate charges			(988,244)
- Depreciation			(83,632)
- Share-based payment expenses			(13,900)
Loss before Income Tax			(993,419)
As at 30 June 2014			
Segment assets	305,105	1,698,492	2,003,597
Reconciliation of reportable segments:			
Unallocated assets:			
- Cash			1,700,487
- Trade and other receivables			27,013
- Plant and equipment			42,364
Total Assets			3,773,461
Segment asset increases for the period:			
- Tenement expenditure	303,250	(85,950)	
Segment liabilities	-	-	-
Reconciliation of reportable segments:			
Unallocated liabilities			
- Trade and other payables			215,861
- Employee Benefits			24,079
Total Liabilities			239,940

27. SEGMENT INFORMATION (cont.)

	Australian Exploration \$	Nigerian Exploration \$	Total \$
For the Year Ended 30 June 2013			
External income	1,529	1,392	2,920
Impairment expense	-	(7,328,896)	(7,328,896)
Segment Profit/(Loss)	1,529	(7,327,504)	(7,325,976)
Reconciliation of reportable segments:			
- Corporate income			180,098
- Corporate charges			(944,710)
- Depreciation			(80,405)
- Share-based payment expenses			(58,651)
Loss before Income Tax			(8,229,644)
As at 30 June 2013			
Segment assets	2,751,854	1,784,442	4,536,296
Reconciliation of reportable segments:			
Unallocated assets:			
- Cash			487,510
- Trade and other receivables			34,642
- Plant and equipment			154,771
Total Assets			5,213,219
Segment asset increases for the period:			
- Tenement expenditure	-	2,564,467	
Segment liabilities	-	-	-
Reconciliation of reportable segments:			
Unallocated liabilities			
- Trade and other payables			498,906
- Employee Benefits			36,902
Total Liabilities			535,808

28. PARENT ENTITY DISCLOSURES

	2014	2013
Australian Mines Limited	\$	\$
STATEMENT OF FINANCIAL POSITION		
Current Assets	1,702,481	3,016,014
Non-Current Assets	2,070,979	2,066,989
Total Assets	3,773,460	5,083,003
Current Liabilities	239,939	405,592
Non-Current Liabilities	-	-
Total Liabilities	239,939	405,592
Net Assets	3,533,521	4,677,411
EQUITY		
Contributed equity	33,122,066	33,122,066
Share option reserves	1,418,515	1,404,615
Accumulated losses	(31,007,060)	(29,849,270)
TOTAL EQUITY	3,533,521	4,677,411
STATEMENT OF COMPREHENSIVE INCOME		
Other income	49	1,529
Depreciation	(11,732)	(11,887)
Impairment of exploration	-	-
Impairment of loans to subsidiaries	(264,674)	(7,131,138)
Corporate overheads and indirect expenses	(964,561)	(879,962)
Results from operating activities	(1,240,918)	(8,021,458)
Net financing income/(costs)	83,128	170,748
Loss before income tax	(1,157,790)	(7,850,710)
Income Tax	-	-
Loss attributable to equity holders of the Company	(1,157,790)	(7,850,710)
Other comprehensive income	-	-
Total Comprehensive Loss	(1,157,790)	(7,850,710)

28. PARENT ENTITY DISCLOSURES (cont.)

	2014	2013
	\$	\$
COMMITMENTS		
Lease of offices		
Within one year	31,995	60,622
Exploration expenditure commitment		
Within one year	750,000	-
Between 12 months and 5 years	500,000	-
	<u>1,250,000</u>	<u>-</u>

In order to maintain current rights of tenure to exploration tenements in Australia, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable as stated in the table above.

CONTINGENT LIABILITIES

The Company'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 Company.

29. RELATED PARTIES

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors

Mr M Ramsden - Chairman

Mr M Elias

Mr D Marinelli

Mr N F Warburton

Executive Directors

Mr B Bell – Managing Director

Executives

Mr D Aliyu – Nigerian Manager

29. RELATED PARTIES (cont.)

The key management personnel compensation included in 'personnel expenses' (see Note 5) is as follows:

	2014	2013
	\$	\$
Short-term employee benefits	513,777	709,411
Post-employment benefits	38,044	47,683
Long term benefits	-	-
Share based payments	13,900	58,652
Insurance Premiums	6,485	8,930
	<u>572,206</u>	<u>824,676</u>

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures are permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' report.

Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel were as follows:

		2014	2013
		\$	\$
Director	Transaction		
Mr M Elias	Geological Consulting fees (i)	33,115	-
Mr M Ramsden	Reimbursements (ii)	3,926	6,405

- (i) The Group used the geological services of CSA Global Pty Ltd, a company significantly influenced by Mr M Elias. Amounts were billed based on normal market rates for these types of services, and amounts are payable under normal monthly payment terms. No amounts were owing to CSA Global Pty Ltd at 30 June 2014 or 30 June 2013.
- (ii) The group reimbursed Terrain Capital Limited for Mr M Ramsden's travel costs associated with his role as a director of Australian Mines. No amounts were owing to Terrain Capital Limited at 30 June 2014.

Apart from the details disclosed in the Remuneration Report, no director has entered into a material contract with the Consolidated Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

**AUSTRALIAN MINES LIMITED
DIRECTORS' DECLARATION**

- 1 In the opinion of the Directors of Australian Mines Limited ('the Company'):
 - (a) the consolidated financial statements and notes and the remuneration disclosures contained in the Remuneration report in the Directors' report, as set out in section 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Group as at 30 June 2014 and its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian accounting interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements.
 - (b) the consolidated financial report also complies with International Reporting standards as disclosed in note 2(a).
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Operating Officer for the financial year ended 30 June 2014.

Dated at Perth the 24 day of September 2014.

Signed in accordance with a resolution of the directors:



Benjamin Bell
Managing Director

INDEPENDENT AUDITOR'S REPORT

To the members of Australian Mines Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Mines Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Australian Mines Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Mines Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A blue ink signature of Peter Toll, written in a cursive style, is positioned below the BDO logo.

Peter Toll

Director

Perth, 24 September 2014

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

Australian Mines Limited (“The Company”) and its Board are committed to achieving and demonstrating high standards of corporate governance. This statement sets out the main corporate governance practices of the Company during the financial year, providing disclosure in accordance with the Corporate Governance Principles and Recommendations 2nd edition August 2007 as published by the ASX Corporate Governance Council. All these practices, unless otherwise stated, were in place for the entire year. Disclosure is made at the end of this statement of areas of non-compliance with the recommendations.

Further details of the various charters, policies, codes and procedures that document the Company’s corporate governance practices are set out in The Company’s website at www.australianmines.com.au.

The Board of Directors and Management.

The Board has adopted a formal statement of its roles, functions and responsibilities.

The Board's primary role is the optimisation of Company performance and protection and enhancement of shareholder value. Its functions and responsibilities include:

- setting policy and strategic direction and adopting a corporate strategy;
- monitoring Company and management's performance against this strategy;
- overseeing control and accountability systems;
- identifying the principal risks and opportunities of the Company's business;
- ensuring appropriate risk management systems are established and reviewed;
- ensuring there are sufficient resources to meet objectives and strategies;
- approving and monitoring financial reporting, capital management and compliance;
- appointing senior management, monitoring senior management's conduct and performance and overseeing remuneration, development and succession;
- adopting procedures to ensure the business of the Company is conducted in an honest, open and ethical manner consistent with Company values;
- approving all significant business transactions;
- ensuring the Company meets its continuous disclosure obligations and that its shareholders have available all information reasonably required to make informed assessments of the Company's prospects;
- overseeing the Company's commitment to sustainable development, the environment, health and safety of employees, contractors, customers and the community;
- ensuring that the Board remains appropriately skilled to meet Company needs;
- reviewing and approving corporate governance systems; and
- delegating authority to management where appropriate.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

The Board of Directors and Management (cont.)

This statement is included on the Company's website, and is to be reviewed annually to ensure it remains appropriate to the needs of the Company given its size, complexity and ownership structure and the skills of directors and managers.

The Board is also governed by the Company's Constitution and its various policies, as described elsewhere in this Statement.

A strategic balance is maintained between the responsibilities of the Board and the Managing Director.

Board Members

The Company currently has five directors, Michael Ramsden, Mick Elias, Dominic Marinelli, Neil Warburton and Benjamin Bell. Details of these directors, including their skills, experience and terms of office are set out in the Company's annual report.

Mr Ramsden, and his personally-related entities, currently holds 3.41% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Elias owns approximately 0.30% of the shares of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Marinelli, and his personally-related entities, currently holds 3.40% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Warburton, and his personally-related entities, currently holds 0.62% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Bell was appointed Managing Director on 23 January 2012, and is associated with a current holding of 0.40% of the Company. Thereby in accordance with guidelines adopted by the Board he is not considered independent.

The Board has adopted a materiality threshold relating to a director's current or former association with a supplier, professional adviser or consultant to the Company. From the Company's viewpoint, material is more than 5% of the Company's total consolidated expenses for the relevant financial year. From the director's viewpoint when assessing an association, material is more than 5% of the total revenue of the supplier, adviser or consultant as the case may be.

The Board considers the make-up of the Board is appropriate given the Company's size and operations. The effectiveness of the Board is achieved through knowledge and experience specific to the business and the industry in which it operates.

Details of the members of the Board, their skills, experience, qualifications, term of office and independence status are set out in the Directors' Report under the heading "information on directors".

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

The Board of Directors and Management (cont.)

Directors' Independence

The Board has also adopted procedures intended to ensure that independent decision making occurs. All directors are entitled to seek independent professional advice, at the Company's cost, in carrying out their duties, subject to the chairperson's prior approval of the expenditure, which will not be unreasonably withheld. Further, in accordance with the *Corporations Act 2001* (Cth) and policies adopted by the Company, each member of the Board is required to keep the Board advised on an ongoing basis of any potential conflict of interest which may exist with the Company. If a conflict does exist, the director concerned must absent themselves from any Board discussion in relation to the relevant item and not vote upon such an item. Non-executive directors are also encouraged to confer on a needs basis without management in attendance.

Term of Office

The Company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting following the last election. Where eligible, directors may stand for re-election.

Responsibilities of Management

The Managing Director is accountable to the Board for management of the Company and its subsidiaries within authority levels reviewed and approved by the Board each year, has authority to approve capital expenditure within predetermined limits set out by the Board, and is subject to the supervision of the Board. Material strategic and policy decisions are made by the Board.

The Chief Financial Officer is responsible for maintaining financial control across the Company and its subsidiaries. This includes management reporting to the Board, statutory accounting, auditing, taxation and insurance. Financial performance is monitored against financial control guidelines.

The Board adopted its formal statement and its various policies in June 2005.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Indemnification and insurance of Directors and Officers

The Company, to the extent permitted by law, indemnifies each Director, alternate Director, or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors.

Performance assessment

The Board Charter sets out the process to undertake an annual assessment of the Board's collective performance, the performance of the Chairman and its committees.

The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

Remuneration Committee

A Remuneration Committee was established by the Board prior to the 2004 – 2005 year. A majority of the members of the Committee are required to be non-executive directors and the Committee is required to be chaired by the non-executive Chairman.

The names of the members of the Remuneration Committee are Neil Warburton, Michael Ramsden and Dominic Marinelli. Their attendance at Remuneration Committee meetings during the 2013 – 2014 year is set out in the Company's annual report.

During the 2013 – 2014 year the Committee was chaired by Neil Warburton, the non-executive Chairman due to his experience and expertise in the areas in which the Company operates and his non-executive status, the Board considers that he is suitably skilled to perform the role of chair of the Remuneration Committee. The Committee consisted of a majority of independent directors.

Each member of the senior executive team signs an employment contract at the time of their appointment covering a range of matters, including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the Remuneration Committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the Remuneration Report.

Executive remuneration and other terms of employment is reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-executive directors and executives are eligible to participate in the Employee Share Option Plan which provides for the issue of options in the Company. Any allotment of options to directors must be approved by shareholders at a general meeting.

Details of the qualifications of directors of the remuneration committee and their attendance at Committee meetings are set out in the Directors' Report.

Audit Committee

The Company recognises the importance of an audit committee, and has established a Committee in September 2012.

Until the Audit Committee was formed, the Board considered and dealt with matters which would ordinarily be attended to by an audit committee, including:

- to recommend engagement and monitor performance of the external auditor;
- to review the effectiveness of management information and internal control;
- to review all areas of significant financial risk and risk management;
- to review significant transactions not a normal part of the Company's business;
- to review financial information and ASX reporting statements; and
- to monitor internal controls and accounting compliance.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

Audit Committee (cont.)

The Audit Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Audit Committee also oversees the Company's risk management systems and procedures.

External Auditors Policy

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditors is reviewed annually and applications for tender of external services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The Corporations Act 2001 requires the rotation of the audit engagement partner every five years.

Analysis of fees paid to external auditors, including a break-down of fees for non-audit services, is provided in the Annual Report at Note 7 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Board and to the Audit Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Nomination Committee

The Company recognises the importance of a nomination committee however currently there is no nomination committee in place. See comments made in the non-compliance statement.

Risk Assessment and Management

The Company has in place a risk assessment and management policy, which sets out the Company's systems for risk assessment and management. The key aspects of the policy are that:

- the Board oversees the establishment and implementation of risk management systems and control frameworks, and in the absence of a separate audit committee has the responsibility to establish, implement and maintain these systems and frameworks; and
- the Company's senior management is delegated the tasks of management of operational risk and the implementation of risk management strategies with the Chief Executive Officer and Chief Operating Officer/Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

The Board reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation, annually. The Board also considers the management of risk at its regular meetings. The Company's risk profile, which is assessed and determined on the basis of the Company's business in commercial mining and mineral exploration, is reviewed annually upon advice from management including, where appropriate, as a result of regular interaction with management and relevant staff from across the Company's business.

The Board or the Company's senior management may consult with the Company's external accountants on external risk matters as required.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

Risk Assessment and Management (cont.)

The Company's risk management systems and control frameworks for identifying, assessing, monitoring and managing its material risks, as established by the Board in conjunction with management, include:

- the Board's ongoing monitoring of management and operational performance;
- a comprehensive system of budgeting, forecasting and reporting to the Board;
- approval procedures for significant capital expenditure above threshold levels;
- regular Board review of all areas of significant financial risk and all significant transactions not part of the Company's normal business activities;
- regular presentations to the Board by management on the management of risk;
- comprehensive written policies in relation to specific business activities;
- comprehensive written policies in relation to corporate governance issues;
- regular communication between directors on compliance and risk matters; and
- consultation and review processes between the Board and external accountants.

The Board requires each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. The Company has in place an insurance program which is reviewed periodically by the Board. The Board receives regular reports on budgeting and financial performance. A system of delegated authority levels has been approved by the Board to ensure business transactions are properly authorised and executed.

Environment, Health and Safety

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the board facilitates the systematic identification of environment and OH&S issues and ensures they are managed in a structured manner. This system allows the Company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environment and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

To manage OH&S issues, the Board has approved a number of procedure documents including a Safety Management Plan and an Emergency Response Plan. It is a condition of employment for all employees to follow these procedures. Reporting on OH&S issues is a standard agenda item at Board Meetings.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

Code of Conduct

The Company adopted, in 2002, the Australian Institute of Company Director's Code of Conduct ("AICD Code") to set appropriate standards of ethical and professional behaviour for its directors. In June 2005, the Company adopted a "Code of Conduct for Directors and Key Executives", which affirmed the Company's adoption of the AICD Code as appropriately setting the standards of ethical behaviour for directors. The Board will review compliance with this Code of Conduct every 12 months.

The Company's Code of Conduct for Directors and Key Executives prescribes standards including acting honestly and in good faith, exercising powers for a proper purpose, using due care and diligence, exercising independent judgment and avoiding a conflict of interest.

The Company has also adopted a "General Corporate Code of Conduct" ("General Code") which details the Company's commitment to appropriate corporate practices to its legitimate stakeholders and sets the standards expected of officers and employees in carrying out their duties.

The Company has in place a trading policy concerning trading in Company securities, a copy of which is provided to all officers and employees of the Company.

The trading policy imposes certain restrictions on the Company's officers and employees trading in the Company's securities to prevent breaches of the insider trading provisions of the Corporations Act 2001 (Cth). The key aspects of the policy are that:

- trading in Company securities and other tradeable financial products is only permitted upon notification, in the case of employees, to the Company's Chief Executive Officer, Chief Operating Officer or, in the case of officers, to the Company's Chairman. If the Chairman wishes to trade he must notify the Company's Managing Director. Trading is only permitted for 2 weeks following notification and confirmation of trading must be provided to the Chief Executive Officer or Chairman (as the case may be);
- no trading is permitted at any time where an officer or employee is in possession of information which, if it was generally available, a reasonable person would expect to have a material effect on the price or value of the security or product, or for a period of 2 days following a public announcement by the Company in relation to the matter the subject of that information; and
- active dealing, being trading in a manner which involves frequent and regular trading, in the Company's securities is not permitted.

The trading policy is provided to all the Company officers and employees and compliance with it is reviewed at least annually. The Company's current trading policy was adopted in June 2005 but reflects the position adopted under its previous trading policies.

The implementation of and compliance with the Company's trading policy is dealt with in the procedures and mechanisms set out in the Company's risk assessment and management policy.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

Continuous Disclosure and Shareholder Communication

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

In addition, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented.

The continuous disclosure policy aims to ensure compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and the ASX Listing Rules. The aim of the policy is to:

- assess information and co-ordinate the timely disclosure to the ASX or the seeking of advice on the information;
- provide an audit trail of decisions regarding disclosure; and
- ensure officers and employees of the Company understand the obligation to bring relevant information to the attention of the chairperson.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary. This continuous disclosure policy was adopted in June 2005 and reflects the position adopted under its previous continuous disclosure policies.

The Chief Executive Officer has been nominated as the person responsible for communication with Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Directors, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2013 – 2014

Diversity Policy

The Company believes that the promotion of diversity on boards, in senior management and within the organisation generally broadens the pool for recruitment of high quality directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to treating of one another with respect.

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its board and its staff. Hiring of new employees and promotion of current employees are made on the bases of performance, ability and attitude.

Currently there is one woman in the organization, and none on the board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

Non-Compliance Statement

The Company has not followed all of the recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departure are as follows:

Nomination Committee

The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a board comprising directors with a blend of skills, experience and attributes appropriate to the Company and its business. The main criterion for the appointment of directors is an ability to add value to the Company and its business. All directors appointed by the Board are subject to election by shareholders at the following annual general meeting of the Company.

Board Performance Report

A formal board performance was not undertaken during the year. This year was a period of uncertainty for the directors and the Board numbers were kept to a minimum.

Non-Executive Directors should not receive options.

Non-executive directors are eligible to participate in the Employee Share Option Plan however any allotment must be approved by shareholders at a general meeting of the Company. The board considers it important to offer non-executive directors an incentive for their ongoing commitment and dedication to the growth of the Company.

AUSTRALIAN MINES LIMITED ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 23 September 2014.

a) Substantial Shareholders

There are two shareholders holding more than 5% of the total number of shares.

b) Ordinary Shareholders

Twenty largest holders of ordinary shares.	Number of shares	% held
Mr J Reed	52,000,000	6.851
Mr M Ramsden (A)	38,953,347	5.132
Danjuma Aliyu	29,930,722	3.943
Inverness Gold SPV Limited	28,312,711	3.730
Mr D Marinelli (B)	25,775,505	3.396
Amalgamated Dairies Limited	24,600,000	3.241
Mr N Taylor	15,989,269	2.107
Mr D P Bowden & Mrs M Castillo	14,217,391	1.873
Deveray Pty Ltd	13,935,138	1.836
Balmerino Pty Ltd <Rudd Family A/C>	11,893,148	1.567
Mr J P Leach	11,550,719	1.522
Abdulazeez Salawu	11,167,833	1.471
Jend Pty Ltd	10,700,675	1.410
Waratah (Aust) Pty Ltd	10,200,000	1.344
Mr D R Walker	9,326,965	1.229
Michlange Pty Ltd <N F Warburton A/c>	9,152,357	1.206
Mr BJ & Mrs RK Bell <Kestrel Inv Fund A/c> (C)	9,080,731	1.196
Mojeli Pty Ltd<Super Fund A/c>	8,500,000	1.120
DA & LM Carrol Superannuation Fund Pty Ltd	6,977,764	0.919
Mr A Cranage	6,825,572	0.899

- (A) Mr M Ramsden has a relevant interest in the following shares –23,950,054 shares owned by Pacrim Investment Consultants Pty Ltd <Pacrim Super Fund>, 2,680,281 shares in the name of Doverpoint Pty Ltd, 11,594,443 shares in the name of Ormley Pty Ltd <Andrew Ramsden Super Fund> 728,569 shares owned by Whitehaven Investments Pty Ltd as trustee for the Ramsden Family Trust, Whitehaven Investments Pty Ltd <Ramsden Family Trust> also holds 248,175 shares in trust for an unrelated party, and Terrain Capital Limited holds 124,087 shares in trust for an unrelated party).
- (B) Mr D Marinelli has a relevant interest in the following shares - 6,975,646 shares held by Dominic Marinelli and Vicki Marinelli as trustees for Monta Amaro Super Fund, and 18,799,859 shares held by Dominic Orlando Marinelli as trustee for the Monte Acquaviva Trust.
- (C) Mr B Bell has a relevant interest in the following shares – 9,080,731 shares held by Benjamin Bell and Rachel Bell as trustees for the Kestrel Investment Fund A/c.

AUSTRALIAN MINES LIMITED
ADDITIONAL ASX INFORMATION

Each fully paid ordinary share entitles the holder to one vote at general meetings of shareholders, and is entitled to dividends when declared.

The total number of shares on issue is 759,026,702 and there is no current on-market buy back.

Distribution of ordinary shareholders at 23 September 2014:

Category of shareholding	Number of shareholders
1 – 1,000	824
1,001 – 5,000	890
5,001 – 10,000	257
10,001 – 100,000	1,541
100,001 and over	648
Total	4,160

c) Quoted Securities

The Company has the following quoted securities on issue:

759,026,702 ordinary shares

d) Unquoted Securities

The Company has the following unquoted securities on issue:

Directors' options expiring 30 November 2014:

4,533,334 unlisted options exercisable at \$0.020 each

4,533,333 unlisted options exercisable at \$0.025 each

9,066,664 unlisted options exercisable at \$0.027 each

4,533,333 unlisted options exercisable at \$0.030 each

9,066,668 unlisted options exercisable at \$0.035 each

9,066,668 unlisted options exercisable at \$0.045 each

Employees' options expiring 30 November 2014:

2,266,666 unlisted options exercisable at \$0.027 each

2,266,667 unlisted options exercisable at \$0.035 each

2,266,667 unlisted options exercisable at \$0.045 each

**AUSTRALIAN MINES LIMITED
TENEMENTS SCHEDULE**

Location	Project	Tenement	Status	Grant Date	Current Interest
NIGERIA					
Zamfara	Kasele	EL9447	Granted	18/05/2011	100%
Zamfara	Yargarma	EL8732	Granted	18/05/2011	100%
Zamfara	Yargarma	EL9449	Granted	15/08/2011	100%
AUSTRALIA					
Western Australia	Marriotts	M37/096	Granted	25/02/1987	100%

Nickel Mineral Resources (Undiluted)

Australian Mines reports nickel sulphide resource figures for its 100%-owned Marriott's nickel resource which is on the granted Mining Lease M37/096, located 70 kilometres south of BHP-Billiton's Leinster Nickel Operations in Western Australia.

Location	Category	Resource Tonnes	Nickel (%)	Nickel Tonnes
Marriott's, Western Australia				
	Measured	-	-	-
	Indicated	460,000	1.12	5,100
	Inferred	370,000	1.15	4,300
	Total	830,000	1.13	9,400

The information in this report that relates to the Australian Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Mick Elias, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Elias is a director of Australian Mines Limited. Mr Elias has sufficient experience relevant to this style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Elias consents to the inclusion in this report of the matters based on his information in the form and context in which is appears.