



ABN 45 125 301 206

Financial Statements for the year ended 30 June 2012

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AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2012.

DIRECTORS

The names and details of the Directors of Australia Minerals & Mining Group Limited during the financial year and until the date of this report are:

Richard Morris Dawson – *B.App.Sc(Geol). EMBA MAusIMM MAICD*
Managing Director
Appointed 10 January 2011

Mr Ric Dawson was appointed inaugural Managing Director of the Company in early January, 2011. He was previously Managing Director of Western Australian based gold, copper and iron ore explorer, Prosperity Resources Ltd.

Mr Dawson has over 25 years experience in the Australian and international resource industries, and is a qualified geologist.

As the founder of Prosperity Resources Ltd, Mr Dawson successfully managed and developed the company's exploration projects in WA, the NT, and Indonesia. He oversaw the advancement of the Masuparia gold copper/porphyry project based in Indonesia. The Woolshed Iron Ore project at Mt Gibson was managed, discovered and developed by Mr Dawson.

Furthermore, he has led commercial negotiations with numerous Chinese steel companies, and played key roles in successful capital raisings, joint ventures, and IPO's. Mr Dawson has worked for over 10 years for one of the leading Australian broking firms, and has a wealth of experience in senior executive and financial/marketing roles.

Luke Frederick Atkins – *LLB*
Non-Executive Chairman
Appointed 8 May 2007

Luke Atkins is currently a non-executive director of the ASX-listed mining and exploration company, Bauxite Resources Ltd, a role which he has held since co-founding the company in 2007. He has had experience in the resource sector from project generation, exploration, project management, project finance, commercial and legal structuring, and corporate development.

Mr Atkins has extensive experience in capital raisings and has held a number of executive and non-executive directorships of private and publicly listed companies, including a number of mining and exploration companies.

Mr Atkins is a lawyer by profession and was previously the principal of Atkins and Co Lawyers, a Perth-based legal firm, which he owned and managed for seven years. Mr Atkins brings to the board extensive experience in the areas of minerals exploration, legal matters, and corporate governance.

During the three year period to the end of the financial year, Mr Atkins continues to hold a directorship in Bauxite Resources Ltd (17 February 1995 to present). He previously held directorships in Reclaim Industries Ltd.

Peter Bailey – *BSc.EE(Hons) MIEE (Chartered Engineer)*
Non-Executive Director
Appointed 8 June 2012

Mr Bailey is a highly experienced and qualified engineer with over 40 years experience in the mining and industrial mineral production industry and has an electrical engineering degree for the University of London. Mr Bailey spent the majority of his career in the iron ore mining, bauxite mining, zinc-lead-copper mining, alumina refining and alumina chemicals industries respectively.

In 2007 Mr Bailey retired from his position of Chief Executive Officer of Sherwin Alumina, an alumina refinery based in Texas, USA, of which he was a major co-owner.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

Prior to Sherwin, in 1998 Mr Bailey was appointed as President of Alcoa Worldwide Chemicals' industrial chemicals department. He was responsible for Alcoa's worldwide chemicals business, comprising 13 plants across eight countries, with an annual revenue of approximately \$700 million.

Previously, Mr Bailey was President of Alcoa Bauxite and Alumina in 1996, and was responsible for Alcoa's eight alumina plants outside of Australia.

Mr Bailey has returned to WA to his Margaret River winery business and will continue to maintain his businesses in the USA, UK and Australia. He has also provided consultancy work to China Minmetals.

Jamie Coote – *BCom BAppSc MSc*
Independent Non-Executive Director
Appointed 8 June 2012

Mr Coote is currently a non-executive director of Australia Minerals & Mining Group as well as Executive Chair of the Australasian Securities Dealers Association (ASDA). Mr Coote has extensive experience in Australian Capital Markets and is also a board member of a number of entities in different stages of development that are transitioning to market.

Mr Coote has worked for international and family owned businesses since returning to Western Australia from Canberra to complete a Bachelors of Commerce in 1994. Mr Coote has also completed a Bachelors of Applied Science and a Masters of Science in 2003 leading to consulting on energy and sustainability to two state Governments and the Commonwealth Government.

Mr Coote has significant experience in the design and implementation of growth strategies for enterprises. Mr Coote has a strong focus on strategic planning and communication roles within the finance and energy sectors. Jamie worked on the National Hydrogen strategy and the NSW residential energy efficiency program as well as the Western Power greenhouse gas abatement and trading strategy.

Daniel Lewis Tenardi
Non-Executive Director
Appointed 17 September 2009

Dan Tenardi is a highly experienced mining executive with some 40 years in the industry, including with a number of global resource industry leaders across a range of commodities, including iron ore, gold, bauxite, and copper. His wealth of knowledge, international networks and depth of experience in managing bulk ore operations is ideally suited to the Company's ongoing business plan.

Mr Tenardi has recently been appointed Chief Executive Officer of Ngarda Civil & Mining, an Indigenous owned and operated contracting company, providing earthmoving, civil engineering and contract mining services to the resource and construction sectors. Ngarda Civil and Mining was established in 2000 as a small contractor in the Pilbara. Ngarda are now the largest Indigenous contracting company in Australia.

Prior to this appointment, Dan was Managing Director of Bauxite Resources Ltd, where he led the rapid growth of the company from its initial exploration phase, expansion of land holdings, to the commencement of trial shipments and securing supportive strategic partnerships with key Chinese partners.

Mr Tenardi previously spent 13 years with Alcoa, at its bauxite mines in the Darling Range in Western Australia, and a further two years at Alcoa's Kwinana refinery. He has substantial gold mining experience, including with Roche Mining at the Kalgoorlie Superpit and at Anglo Gold Ashanti's Sunrise Dam. Mr Tenardi subsequently worked at executive level for Rio Tinto's Robe River Iron Associates and their East Pilbara Division, and was appointed as a Director of Robe River Iron Associates in the latter years of his employment with Rio Tinto.

Mr Tenardi also held the positions of General Manager of Operations and Chief Operating Manager at CITIC Pacific Mining. At CITIC Pacific, Mr Tenardi helped develop the largest magnetite iron ore mine in Australia and was responsible for the strategic development of the Company's Australian and global mining operations.

These roles have helped Mr Tenardi foster close working relationships with Chinese stakeholders in all aspects of mine development.

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DIRECTORS' REPORT

David John Brook
Non-Executive Director
Appointed 17 September 2009 Resigned 8 June 2012

Christopher John Forrester
Non-Executive Director
Appointed 30 June 2009 Resigned 8 June 2012

COMPANY SECRETARY

Piers Lewis – B.Comm. CA.
Company Secretary/Chief Financial Officer
Appointed 10 January 2011

Piers Lewis joined the Company in January, 2011. Mr Lewis is a Chartered Accountant with 13 years corporate experience, and has held executive and senior management positions throughout London and Australia. Mr Lewis also holds directorships, Company Secretary and CFO positions with other ASX-listed resource companies.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year consisted of mineral exploration and development principally in Australia.

There have been no significant changes in these activities during the financial year.

RESULTS OF OPERATIONS

The net loss after income tax for the financial year was \$755,385 (2011: \$922,075).

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

REVIEW OF OPERATIONS AND ACTIVITIES

The past twelve months has seen the Company add value to its diversified exploration projects through strategic acquisition of significant mineral projects; negotiations with Chinese and overseas enterprises; further development of its diversified suite of projects; and exploring potential joint venture opportunities.

In July 2011, the Company announced an inferred resource of 85 million tonnes of aluminous clay with 85% brightness at its 100% owned Kerrigan alumina project in the Yilgarn Craton. Adding this resource with the previously reported combined indicated and inferred resource of 65 million tonnes at the Meckering project, the global indicated and inferred resources for this alumina project is 150 million tonnes with 83-85% brightness.

In September 2011, the Chinese technology holder, Professor Shang, successfully produced 1.06kgs of 99.5% smelter grade alumina (SGA) and 85gms of 99.99% high purity alumina (HPA) with AMMG's aluminous clay sample from its Meckering project. Those samples were then independently verified by TSW Analytical, a Perth based company headed by experienced analytical chemistry professionals.

Following this verification, AMMG signed an option agreement with Professor Shang to acquire an exclusive Australia-wide technology licence for the processing of aluminous clay to alumina via this acid-based technology process. As well as refining the existing technology process, the Company began to develop its own unique acid-based technology process, in order to tailor the process to the specific attributes of the material, which has low levels of impurities and high alumina content. The Company also signed an MOU with Kalamazon Minerals Corporation' subsidiary Kalamazon Estudos Geologicos Ltda, for the potential project development of one or more of Kalamazon's aluminous clay projects in Brazil.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

During the year the Company signed two MOU's with the Anhui Provincial Bureau of Coal and Geology for potential capital investment and project development of AMMG's Canning Coal and Yilgarn Iron Ore projects in Western Australia.

In October 2011 AMMG reached agreement to acquire Minemakers' 80% interest in the Southdown Extension Project. The Southdown Extension Iron Ore Project is a 22-block exploration licence that lies along strike from Grange Resources' Southdown Magnetite Project and is in close proximity to the town and port of Albany. The agreement was subject to the Company issuing five million ordinary fully paid shares of AMMG to Minemakers and two million 20c options. In early 2012, AMMG reached agreement to acquire the remaining 20% interest of the project from existing holders, on pro-rata terms similar to the Minemakers' agreement.

Stage 1 drilling commenced at the Southdown Extension project in early 2012. It consisted of 294 metres of RC drilling with three drill holes averaging 100 metres. The objective of the drilling was to test previously identified magnetic anomalies along the 8km strike length. The Davis Tube Recovery (DTR) results produced a beneficiated iron concentrate with an average 68% iron level with mass recovery of up to 35.6% at a 'coarse' grind size of -75 microns. The grind size was 'coarser' than had previously been reported at other Yilgarn Craton magnetite projects.

In February 2012, stage 1 drilling commenced at the Company's 100% owned Bencubbin Iron Ore Project, Western Australia. AMMG drilled nine exploration drill holes averaging depths of 65 metres to test previously identified magnetic anomalies. DTR metallurgical test work indicated encouraging results with an average iron concentrate of above 70% with an average mass recovery of 42.8% and a 'coarse' grind size of -75 microns. The Company was refunded half the direct drilling costs by the Western Australian government's Exploration Incentive Scheme (EIS) co-funding drilling program at the completion of the Bencubbin drilling from its September 2011 submission.

The Company was also successful in its submission to the 2012-2013 EIS co-funded drilling program at its Pingaring Iron Ore Project, Yuna Iron Ore Project, and Green Range Coal Project.

The Company acquired a further three exploration permit mineral tenements at its 100% owned Constance Range Iron Ore Project in north-west Queensland near the Northern Territory border. A further tenement was granted (EPM18375) that hosts BHP historical deposits "C" and "D". During the year a site reconnaissance was conducted on the newly granted tenement to assess logistics and prepare for an upcoming stage 1 drill program. At year end, the project had three granted tenements and six in application status totalling approximately 815 square kilometres.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

Corporate and Financial Position

As at 30 June 2012 the Company had cash reserves and other receivables of \$5.43 million (2011: \$6.6 million).

Business Strategies and Prospects

The Company currently has the following business strategies and prospects over the medium to long term:

- (i) Seek to increase the value of the Company's mineral assets located in Australia through exploration success;
- (ii) Undertake exploration activities on its existing Projects; and
- (iii) Continue to examine new mineral opportunities, with particular focus on advanced projects with the potential to deliver early cash flow opportunities.

Risk Management

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Non-Executive Chairman having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the Business Plan presented to the Board by the Non-Executive Chairman Director each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Company.

EMPLOYEES

The Company has 5 employees as at 30 June 2012 (2011: 5).

EARNINGS/LOSS PER SHARE

	2012	2011
	Cents	Cents
Basic loss per share	(0.7)	(0.1)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes were as follows:

On 27 October 2011 the Company issued 5,000 shares on conversion of listed AKAO options.

On 25 November 2011 the Company issued 30,505,297 listed AKAO options with an exercise price of \$0.20 that expire on the 30 November 2012.

On 24 January 2012 the Company issued 11,482,204 listed AKAO options with an exercise price of \$0.20 that expire on the 30 November 2012.

On 31 January 2012 the Company issued 600,000 employee incentive options with an exercise price of \$0.20 that expire on the 31 January 2017 and 173,000 employee performance rights that convert to ordinary shares upon performance hurdle being met.

On 6 June 2012 Mr Christopher Forrester resigned and Mr Peter Bailey was appointed as non-executive director.

On 8 June 2012 Mr David John Brook resigned and Mr Jamie Coote was appointed as non-executive director.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

OPTIONS OVER UNISSUED CAPITAL

Unlisted Options

During the financial year the Company granted the following unlisted options over unissued ordinary shares to the following Directors and Key Management Personnel. All employee options were issued for nil consideration:

<i>Issued To</i>	<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Value per Option at Grant Date</i>	<i>Value of Options Granted</i>	<i>Expiry Date</i>
Employees	600,000	0.20	\$0.118	\$70,800	31 January 2017

Since 30 June 2012 and up until the date of this report there have been the following options issued:

- On 17 August 2012 2,500,000 unlisted options expiring 15 August 2014 for an exercise price of \$0.20 as part consideration for 100% of the Southdown Extension EL70/2640-1 tenement.

As at the date of this report unissued ordinary shares of the Company under option are:

<i>Number of Options on Issue</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
8,000,000	20 cents each	31 August 2015
500,000	20 cents each	8 February 2015
600,000	20 cents each	31 January 2017
333,333	30 cents each	4 February 2015
199,999	25 cents each	15 March 2015
41,987,501	20 cents each	30 November 2012

The above options represent unissued ordinary shares of the Company under option as at the date of this report. These unlisted options do not entitle the holder to participate in any share issue of the Company.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

The names of all persons who currently hold options granted are entered in a register kept by the Company pursuant to Section 168(1) of the *Corporations Act 2001* and the register may be inspected free of charge.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

CORPORATE STRUCTURE

Australia Minerals & Mining Group Limited (ACN 125 301 206) is a Company limited by shares that was incorporated on 8 May 2007 and is domiciled in Australia.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, except for the following:

As announced on 2 August 2012, the Company issued 390,000 AKA shares as a component of the consideration for the Green Range Coal Project.

As announced on 17 August 2012, the Company issued 6,250,000 AKA shares and 2,500,000 unlisted options expiring 15 August 2014 for an exercise price of \$0.20 as consideration for 100% of the Southdown Extension EL70/2640-1 tenement.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Company.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. So far as the Directors are aware there has been no known breach of the Company's licence conditions and all exploration activities comply with relevant environmental regulations.

INFORMATION ON DIRECTORS

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

Director	Title	Directors' Interest in Ordinary Shares	Directors' Interest in B Class Performance Shares	Directors' Interest in C Class Performance Shares	Directors' Interest in D Class Performance Shares	Directors' Interest in Listed Options	Directors' Interest in Unlisted Options
Luke Atkins	Non-Executive Chairman	5,750,000	-	-	-	-	6,000,000
Ric Dawson	Managing Director	200,000	2,000,000	2,000,000	2,000,000	1,000,000	-
David Brook ¹	Non-Executive Director	-	-	-	-	-	2,000,000
Christopher Forrester ¹	Non-Executive Director	2,775,000	-	-	-	1,116,223	-
Daniel Tenardi	Non-Executive Director	8,500,000	-	-	-	-	-
Peter Bailey	Non-Executive Director	-	-	-	-	-	-
Jamie Coote	Non-Executive Director	-	-	-	-	-	-

¹- These shareholdings are as at the date of the director's resignation, not as at the date of this report.

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held in the period each Director held office during the financial year and the numbers of meetings attended by each Director were:

Director	Board of Directors' Meetings	
	Meetings Attended	Meetings held while a director
Luke Atkins	10	10
Ric Dawson	10	10
David Brook	9	9
Christopher Forrester	9	9
Daniel Tenardi	9	10
Peter Bailey	1	1
Jamie Coote	1	1

REMUNERATION REPORT

Recommendation 8.1 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (2nd edition)* states that the Board should establish a Remuneration Committee. The Board has formed the view that given the number of Directors on the Board, this function could be performed just as effectively with full Board participation. Accordingly it was resolved that there would be no separate Board sub-committee for remuneration purposes.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

This report details the amount and nature of remuneration of each Director of the Company and executive officers of the Company during the year.

Overview of Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The broad 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 the Non-Executive Chairman and the executive team with a remuneration package consisting of a fixed and variable component that together reflects the person's responsibilities, duties and personal performance. An equity based remuneration arrangement for the Board and the executive team is in place. The remuneration policy is to provide a fixed remuneration component and a specific equity related component, with no performance conditions. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Director and executive objectives with shareholder and business objectives.

The remuneration policy in regard to setting the terms and conditions for the Non-Executive Chairman has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% per annum and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part or all of their salary to increase payments towards superannuation.

All remuneration paid to Directors is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology. In accordance with current accounting policy the value of these options is expensed over the relevant vesting period.

Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting, and has been initially set not to exceed \$200,000 per annum. Actual remuneration paid to the Company's Non-Executive Directors is disclosed below. Remuneration fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company

Non-Executive Chairman and Senior Management

The remuneration of the Non-Executive Chairman is dictated by an executive service agreement.

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Reward executives in line with the strategic goals and performance of the Company; and
- Ensure that total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Issuance of unlisted options

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis including any employee benefits e.g. motor vehicles) as well as employer contributions to superannuation funds.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

Remuneration packages for the staff who report directly to the Non-Executive Chairman are based on the recommendation of the Non-Executive Chairman, subject to the approval of the Board in the annual budget setting process.

Service Agreement

The Non-Executive Chairman, Mr Luke Atkins is employed under a contract for services with his private company Executive Resources Personnel Pty Ltd ("ERP"). The Agreement commenced on the date of listing on 27 January 2010.

Under the terms of the present contract:

- The Agreement is for a period of three years and can be terminated by the Company giving 12 months written notice, or ERP by providing three months written notice.
- ERP will provide consulting services for which it will be remunerated \$4,400/week, plus a vehicle allowance of \$1,450 per month.

Details of the nature and amount of each element of the emoluments of each Director and Executive Officer of Australia Minerals & Mining Group Limited paid/accrued during the year are as follows:

	Primary		Post Employment	Equity Compensation	
2011/2012	Base Salary/Fees \$	Motor Vehicle \$	Superannuation Contributions \$	Performance Shares \$	Total \$
Directors					
R Dawson – Managing Director	219,585	-	19,763	110,000	349,348
L Atkins – Non-Executive Chairman (i)	294,317	17,400	4,050	-	315,767
D Brook – Non-Executive (ii)	40,000	-	-	-	40,000
C Forrester – Non-Executive (iii)	40,000	-	-	-	40,000
D Tenardi – Non-Executive (iv)	40,000	-	-	-	40,000
P Bailey – Non Executive	-	-	-	-	-
J Coote – Non Executive	-	-	-	-	-
Executives					
P Lewis – Company Secretary/CFO (v)	66,476	-	-	38,245	104,721
TOTAL	700,378	17,400	23,813	148,245	889,835

	Primary		Post Employment	Equity Compensation	
2010/2011	Base Salary/Fees \$	Motor Vehicle \$	Superannuation Contributions \$	Options \$	Total \$
Directors					
R Dawson – Managing Director	104,677	-	9,421	110,000	214,677
L Atkins – Non-Executive Chairman (i)	290,993	-	-	-	290,933
D Brook – Non-Executive (ii)	40,000	-	-	-	40,000
C Forrester – Non-Executive (iii)	40,000	-	-	-	40,000
D Tenardi – Non-Executive (iv)	40,000	-	-	-	40,000
Executives					
P Lewis – Company Secretary/CFO (v)	32,923	-	-	-	32,923
S Middlemas – Company Secretary/CFO	24,570	-	-	-	24,570
TOTAL	573,163	-	9,421	110,000	692,584

- (i) Chairman's fees were all paid to Executive Resource Personnel Pty Ltd.
(ii) Directors' fees were all paid to Brook Consulting.
(iii) Directors' fees were all paid to Calcat Resources Pty Ltd.
(iv) Directors' fees were all paid to Tenardi Daniel Lewis Pty Ltd.
(v) Mr Lewis was appointed Company Secretary on 12 January 2011 – all fees were paid to Cranley Consulting Pty Ltd.
(vi) Mr Middlemas resigned as Company Secretary on 12 January 2011.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTORS' REPORT

Share-based compensation

There were no options that have been issued by the Company. The Company issued Class B, C and D Performance shares to Mr R Dawson, as approved by shareholders at the meeting dated 11 May 2011. The Board of Directors, excluding Mr Dawson, has attached a fair value to these performance shares issued. The performance shares convert to ordinary shares upon various milestones being achieved by the Company. As at the date of this report, these milestones have not been met.

The Company issued a total of 600,000 options to Mr P Lewis on 31 January 2012. The options have an exercise price of \$0.20, expire 31 January 2017 and vesting conditions being 1/3 vest 31 January 2012, 1/3 vest 31 January 2013 and 1/3 vest 31 January 2014. The Board of Directors have attached a fair value to these options issued of \$0.118 p/option based on the Black Scholes valuation method (refer to Note 11 for particulars used in the Black Scholes valuation).

INDEMNIFYING OFFICERS AND AUDITOR

During the year, the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. The premium paid during the year for the insurance policy was \$25,300 (2011:\$23,200).

The Company has not provided any insurance for an auditor of the Company.

AUDITORS' INDEPENDENCE DECLARATION

Section 370C of the *Corporations Act 2001* requires the Company's auditors Moore Stephens, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

NON-AUDIT SERVICES

There were no non-audit services provided by the external auditors during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance for a Company of the current size. The Company's corporate governance statement is contained in the Annual Report.

DATED at Perth this 24th day of September 2012.

Signed in accordance with a resolution of the Directors.

R Dawson
Managing Director

AUSTRALIA MINERALS & MINING GROUP LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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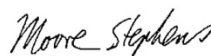
AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AUSTRALIA MINERALS AND MINING GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

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



Neil Pace
Partner



Moore Stephens
Chartered Accountants

Dated this 24th day of September 2012,
in Perth, Western Australia.

AUSTRALIA MINERALS & MINING GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	<u>NOTES</u>	<u>2012</u>	<u>2011</u>
		\$	\$
Other income	2	<u>692,671</u>	403,079
Accounting and audit fees		26,684	22,237
ASX and Share Registry fees		71,530	36,102
Chairman's fees		45,000	245,993
Company Secretarial fees		66,476	54,614
Directors' fees		101,666	166,668
Depreciation	3	35,419	25,140
Employee Benefit expense		195,661	220,641
Insurance expense		47,958	31,730
Rent expense		46,384	51,761
Expense of share-based payments	3	184,111	267,018
Exploration Written off	3	373,321	-
Other expenses		<u>253,847</u>	203,250
Loss before income tax		755,385	922,075
Income tax	5	<u>-</u>	-
Net loss attributable to members of the Company	12	<u>755,385</u>	922,075
Other Comprehensive Loss net of tax		<u>-</u>	-
Total Comprehensive Loss		<u>755,385</u>	922,075
Basic earnings/(loss) per share (cents per share)	18	(0.7) cents	(0.1) cents
Diluted earnings/(loss) per share (cents per share)	18	(0.7) cents	(0.1) cents

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

AUSTRALIA MINERALS & MINING GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2012

	<u>NOTES</u>	<u>2012</u>	<u>2011</u>
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19(a)	4,955,630	6,580,296
Other receivables	6	473,120	143,577
Other assets	7	-	7,500
TOTAL CURRENT ASSETS		5,428,750	6,731,373
NON-CURRENT ASSETS			
Plant and equipment and motor vehicles	8	39,330	61,235
Capitalised mineral exploration expenditure	9	2,227,172	1,272,321
TOTAL NON-CURRENT ASSETS		2,266,502	1,333,556
TOTAL ASSETS		7,695,252	8,064,929
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	260,401	101,791
TOTAL CURRENT LIABILITIES		260,401	101,791
TOTAL LIABILITIES		260,401	101,791
NET ASSETS		7,434,851	7,963,138
EQUITY			
Contributed equity	11(a)	8,805,581	8,804,581
Share Option Reserve	13	921,049	694,950
Accumulated losses	12	(2,291,779)	(1,536,393)
TOTAL EQUITY		7,434,851	7,963,138

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

AUSTRALIA MINERALS & MINING GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Notes	Contributed Equity	Share Based Payment Reserve	Losses	Total
BALANCE AT 1 JULY 2010		8,804,581	427,932	(614,318)	8,618,195
Loss for the year	12	-	-	(922,075)	(922,075)
Other comprehensive income for the year		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		-	-	(922,075)	(922,075)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	11(b)	-	-	-	-
Performance shares issued		-	110,000	-	110,000
Directors' and Employees options		-	157,018	-	157,018
BALANCE AT 30 JUNE 2011		8,804,581	694,950	(1,536,393)	7,963,138
BALANCE AT 1 JULY 2011		8,804,581	694,950	(1,536,393)	7,963,138
Loss for the year	12	-	-	(755,385)	(755,385)
Other comprehensive income for the year		-	-	-	-
TOTAL COMPREHENSIVE INCOME		-	-	(755,385)	(755,385)
Shares issued during the year	11(b)	1,000	-	-	1,000
Performance rights issued		-	134,220	-	134,220
Options to shareholders		-	41,988	-	41,988
Directors' and Employees options		-	49,891	-	49,891
BALANCE AT 30 JUNE 2012		8,805,581	921,049	(2,291,779)	7,434,851

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

AUSTRALIA MINERALS & MINING GROUP LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 June 2012

	<u>NOTES</u>	<u>2012</u>	<u>2011</u>
		\$	\$
Cash flows from operating activities			
Interest received		266,028	259,502
Payments for exploration and evaluation		(1,172,186)	(846,331)
Payments for Research & Development		(47,869)	(67,702)
Payments to suppliers and employees (inclusive of goods and services tax)		(700,113)	(682,428)
Net cash used in operating activities	19(b)	<u>(1,654,140)</u>	<u>(1,336,958)</u>
Cash flows from investing activities			
Payments for plant and equipment and motor vehicles		(13,514)	(8,641)
Net cash used in investing activities		<u>(13,514)</u>	<u>(8,641)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		42,988	-
Net cash provided by financing activities		<u>42,988</u>	<u>-</u>
Net (decrease)/increase in cash held		(1,624,666)	(1,345,599)
Cash at the beginning of the financial year		<u>6,580,296</u>	<u>7,925,895</u>
Cash at the end of the financial year	19(a)	<u>4,955,630</u>	<u>6,580,296</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Australia Minerals & Mining Group Limited ("AMMG" or "Company"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise indicated.

Australia Minerals & Mining Group Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Stock Exchange. The financial statements are presented in Australian dollars which is the Company's functional currency.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report was authorised for issue by the Directors on 24th September 2012.

(b) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. 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 periods affected. None of the balances reported have been derived from estimates.

(c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Revenue Recognition

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

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(f) Plant and equipment and motor vehicles

Each class of plant and equipment and motor vehicles is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment and motor vehicles

Plant and equipment and motor vehicles are stated at cost less accumulated depreciation and any impairment in value.

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

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation

Depreciable non-current assets are depreciated over their expected economic life using either the straight line or the diminishing value method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- | | |
|---------------------|-------|
| • Plant & equipment | 33% |
| • Motor vehicles | 22.5% |

(g) Employee Entitlements

Liabilities for wages and salaries, annual leave and other current employee entitlements expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

(h) Exploration and Evaluation Expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is subject to impairment testing. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- Exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose 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 re-classified from intangible assets to mining property and development assets within property, plant and equipment.

(i) Goods and Services Tax (GST)

Revenues, 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 Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. GST incurred is claimed from the ATO when a valid tax invoice is provided. 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.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Contributed Equity

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

(l) Earnings per Share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

(m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lesser effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease.

(n) Share-based payment transactions

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

There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors, consultants and senior executives.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Australia Minerals and Mining Group Ltd ("market conditions").

The cost of equity settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

Where the Company acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

(o) Comparative Figures

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

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the Company. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Company has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited Banks with a minimum credit rating of A1 from Standard & Poors. The Company has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the full board.

(q) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

(r) Critical accounting estimates and judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 11 (h).

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer Note 1(h)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy in Note 1(h), a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss in accordance with the Group's accounting policy in Note 1(q). The carrying amounts of exploration and evaluation assets are set out in Note 9.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Group.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

(t) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Australia Minerals & Mining Group Limited at the end of the reporting period. A controlled entity is any entity over which Australia Minerals & Mining Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
2. OTHER INCOME		
Other Income		
Interest	308,668	403,079
R&D refund	331,667	-
EIS Rebate	45,131	-
Other	7,205	-
Total	<u>692,671</u>	<u>403,079</u>

EIS rebate is co-funding received from the Department of Mines and Petroleum for drilling campaigns undertaken by the Group.

3. EXPENSES		
Contributions to employees superannuation plans	59,443	34,327
Depreciation - Plant and equipment	25,642	8,238
- Motor vehicles	7,467	3,733
Exploration Written off	373,321	-
Share Based Payment expense	184,111	267,018
Training	657	5,838

4. AUDITORS' REMUNERATION		
Audit – Moore Stephens		
Audit and review of the financial statements	<u>21,585</u>	<u>17,687</u>

5. INCOME TAX

No income tax is payable by the Company as it has incurred losses for income tax purposes for the year, therefore current tax, deferred tax and tax expense is \$Nil (2011 - \$Nil).

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	<u>2012</u>	<u>2011</u>
	\$	\$
Loss from continuing operations	<u>(755,385)</u>	(922,075)
Tax at the tax rate of 30% (2010: 30%)	(226,616)	(276,622)
Tax effect of amounts which are deductible in calculating taxable income:		
Non-deductible expenses	55,719	80,105
Temporary differences	(14,253)	
Deferred tax asset not brought to account	<u>185,150</u>	196,517
Income tax expense	<u>-</u>	<u>-</u>

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

(b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	2,774,105	2,156,942
Potential tax benefit at 30%	832,232	647,083

5. INCOME TAX (Continued)

(c) Unbooked Deferred Tax Assets and Liabilities

Unbooked deferred tax assets comprise:

	<u>2012</u>	<u>2011</u>
	\$	\$
Provisions/Accruals/Other	68,005	139,247
Tax losses available for offset against future taxable income	832,232	534,139
	900,236	673,386

Unbooked deferred tax liabilities comprise:

Capitalised mineral exploration and evaluation expenditure	718,271	87,679
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(d) Franking credits balance

The Company has no franking credits available as at 30 June 2012 (2011: \$Nil).

6. OTHER RECEIVABLES

Current

GST recoverable	26,357	-
Deposits	279,698	-
R&D rebate	167,065	-
Accrued Interest	-	143,577
Total	473,120	143,577

7. OTHER ASSETS

Current

Prepayments	-	7,500
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8. PLANT AND EQUIPMENT AND MOTOR VEHICLES

Plant and office equipment		
At cost	78,100	64,586
Accumulated depreciation	(53,547)	(25,956)
	24,553	38,630
Motor vehicles		
At cost	33,181	33,181
Accumulated depreciation	(18,404)	(10,577)
	14,777	22,605
	39,330	61,235

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

8. PLANT AND EQUIPMENT AND MOTOR VEHICLES (Continued)

Reconciliation

Reconciliation of the carrying amounts for each class of plant and equipment and motor vehicles are set out below:

	<u>2012</u>	<u>2011</u>
	\$	\$
<i>Plant and office equipment</i>		
Carrying amount at beginning of the year	38,630	47,663
Additions	13,514	9,528
Depreciation	(27,591)	(18,561)
Carrying amount at the end of the year	24,553	38,630
<i>Motor vehicles</i>		
Carrying amount at beginning of the year	22,605	30,070
Additions	-	-
Depreciation	(7,827)	(7,465)
Carrying amount at the end of the year	14,777	22,605

9. CAPITALISED MINERAL EXPLORATION EXPENDITURE

Non-Current

In the exploration phase

Cost brought forward	1,272,321	698,442
Expenditure incurred during the year (at cost)	1,328,172	573,879
Class A Performance shares – Gypsum value	-	-
Exploration expenditure written off	(373,321)	-
	2,227,172	1,272,321

The recoupment of costs carried forward is dependent on the successful development and/or commercial exploitation or alternatively sale of the respective areas of interest.

10. TRADE AND OTHER PAYABLES

Current (Unsecured)

Trade creditors	29,452	7,368
Other creditors and accruals	230,948	94,423
	260,400	101,791

Included within trade and other creditors and accruals is an amount of \$88,670 (2011- Nil) relating to exploration expenditure.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

11. CONTRIBUTED EQUITY

(a) Ordinary Shares

	<u>2012</u> \$	<u>2011</u> \$
100,980,002 (2011: 100,975,002) fully paid ordinary shares	<u>8,805,581</u>	<u>8,804,581</u>

(b) Share Movements During the Year

	2012		2011	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial year	100,975,002	8,804,581	83,975,002	8,804,581
<i>New share issues during the year</i>				
Consolidation of Vendors capital	-	-	-	-
Seed Capital Issue at 8 cents per share	-	-	-	-
IPO Share Issue at 20 cents per share	-	-	-	-
Proceeds from Option Issue	-	-	-	-
Valuation of A Class Performance Shares	-	-	-	-
Less costs of share issue	-	-	-	-
Conversion of Performance shares to Ordinary Shares	-	-	17,000,000	-
Conversion of listed options	5,000	1,000	-	-
	<u>100,980,002</u>	<u>8,805,581</u>	<u>100,975,002</u>	<u>8,804,581</u>

(c) Class A Performance Shares

The Company converted 17,000,000 Class A Performance Shares ("Performance Shares") to ordinary shares on 13 May 2011 upon the Company identifying a JORC compliant inferred resource of 25 million tonnes of gypsum from the Company's tenements located in Lake Macleod, Western Australia (**Milestone**). The Performance Shares converted into fully paid ordinary shares on a one for one basis as the Milestone was achieved within 5 years from the date on which the Company became listed on the ASX.

(d) Class B Performance Shares

The Company issued 2,000,000 Class B Performance Shares to Mr Ric Dawson on 11 May 2011. The performance shares convert to ordinary shares automatically upon:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$20,000,000, provided this occurs with the Class B Employment Milestone (as defined below); and
- (ii) Mr Dawson has completed a minimum of eighteen (18) months continuous employment with the Company in the position of Managing Director (Class B Employment Milestone);

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

11. CONTRIBUTED EQUITY (Continued)

(e) Class C Performance Shares

The Company issued 3,000,000 Class C Performance Shares to Mr Ric Dawson on 11 May 2011. The performance shares convert to ordinary shares automatically upon:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$35,000,000, provided this occurs with the Class C Employment Milestone (as defined below); and
- (ii) Mr Dawson has completed a minimum of twenty-four (24) months continuous employment with the Company in the position of Managing Director (Class C Employment Milestone); and

(f) Class D Performance Shares

The Company issued 3,000,000 Class D Performance Shares to Mr Ric Dawson on 11 May 2011. The performance shares convert to ordinary shares automatically upon:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$50,000,000, provided this occurs with the Class D Employment Milestone (as defined below); and
- (ii) Mr Dawson has completed a minimum of thirty-six (36) months continuous employment with the Company in the position of Managing Director (Class D Employment Milestone).

(g) Performance Rights

The Company issued 173,000 performance rights to employees on 31 January 2012. The performance rights convert to ordinary shares automatically upon the employees completing 24 month's employment service to the Company from the date of issue of the rights.

(g) Unlisted Options

During the financial year the Company granted the following unlisted options over unissued shares:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
600,000	20 cents each	31 January 2017

(h) Share Based Payments

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 3.

The average remaining contractual life for the share options outstanding as at 30 June 2012 is between 0.42 and 4.59 years. The range of exercise prices for options outstanding at the end of the year was between 20 cents and 30 cents. The fair value of options granted during the year was \$70,800, of which \$17,899 has been expensed in the current year (2011 – \$267,018).

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the options issued during the year ended 30 June 2012 and 30 June 2011:

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

11. CONTRIBUTED EQUITY (Continued)

Date of Issue	31 Jan 2012	15 Sept 2010
Number of Options	600,000	500,000
Volatility (%)	130%	75%
Risk-free interest rate (%)	4.2%	5.13%
Expected life of option (years)	5	5
Exercise price (cents)	20	25
Share price at grant date (cents)	14	8
Value per option (cents)	11.8	8.39

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(i) Terms and Conditions of Contributed Equity

Ordinary Shares

The Company is a public Company limited by shares. The Company was incorporated in Perth, Western Australia. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares which have no par value, entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	<u>2012</u> \$	<u>2011</u> \$
12. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	1,536,393	614,318
Net loss attributable to members	755,385	922,075
Accumulated losses at the end of the year	2,291,778	1,536,393

13. RESERVES

Share based payments Reserve

Balance at the beginning of the year	694,950	427,932
Add: Cash consideration received for listed options	41,988	-
Add: Amounts expensed in current year	184,111	267,018
Balance at the end of the year	921,049	694,950

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

13. RESERVES (Continued)

Share based payments reserve

The share based payments reserve comprises any equity settled share based payment transactions. The reserve will be reversed against share capital when the underlying share options / performance shares are exercised / converted.

14. OPTION PLAN

The establishment of the Australia Minerals & Mining Group Limited Employee Incentive Option Plan ("the Plan") was approved by special resolution at a General Meeting of shareholders. All eligible Directors, executive officers, employees and consultants of Australia Minerals & Mining Group Limited who have been continuously employed by the Company are eligible to participate in the Plan.

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

15. RELATED PARTIES

	2012	2011
Short-term employee benefits	717,778	573,163
Post-employment benefits	23,813	9,421
Share-based payments	148,245	110,000
	<u>889,835</u>	<u>692,584</u>

During the current financial year there were no loans made or outstanding at year end (2011 - Nil).

Other transactions with Key Management Personnel (KMP)

- (i) Mr Luke Atkins' parents own the premises that the Company rents for its registered office. During the year the Company paid \$46,384 (2011 - \$51,761) on normal commercial terms and conditions.

Movement in Shares and Options

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Directors and Executive Officers of the Company or their personally-related entities are as follows:

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exercisable	Vested and Un-Exercisable
30 June 2012								
Mr L Atkins	6,000,000	-	-	-	6,000,000	-	6,000,000	-
Mr R Dawson ¹	1,000,000	-	-	-	1,000,000	-	1,000,000	-
Mr D Brook ⁴	2,000,000	-	-	-	2,000,000	-	2,000,000	-
Mr C Forrester ⁵	1,116,223	-	-	-	1,116,223	-	1,116,223	-
Mr D Tenardi	-	-	-	-	-	-	-	-
Mr P Lewis ²	-	600,000	-	-	600,000	-	-	-
Mr P Bailey ⁶	-	-	-	-	-	-	-	-
Mr M Coote ⁷	-	-	-	-	-	-	-	-

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exercisable	Vested and Un-Exercisable
30 June 2011								
Mr L Atkins	6,000,000	-	-	-	6,000,000	-	6,000,000	-
Mr R Dawson ¹	-	-	-	1,000,000	1,000,000	-	1,000,000	-
Mr D Brook	2,000,000	-	-	-	2,000,000	-	2,000,000	-
Mr C Forrester	1,119,223	-	-	3,000	1,116,223	-	1,116,223	-
Mr D Tenardi	-	-	-	-	-	-	-	-
Mr P Lewis ²	-	-	-	-	-	-	-	-
Mr S Middlemas ³	1,010,000	-	-	675,666	334,334	-	334,334	-

KMP Shareholdings

The number of ordinary shares in Australia Minerals & Mining Group Limited held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
30 June 2012					
Mr L Atkins	5,750,000	-	-	-	5,750,000
Mr R Dawson ¹	-	-	-	100,000	100,000
Mr D Brook ⁴	-	-	-	-	-
Mr C Forrester ⁵	2,775,000	-	-	-	2,775,000
Mr D Tenardi	8,500,000	-	-	-	8,500,000
Mr P Lewis ²	-	-	-	-	-
Mr P Bailey ⁶	-	-	-	-	-
Mr M Coote ⁷	-	-	-	-	-

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
30 June 2011					
Mr L Atkins	4,393,617	-	-	1,356,383	5,750,000
Mr R Dawson ¹	-	-	-	-	-
Mr D Brook	-	-	-	-	-
Mr C Forrester	2,232,447	-	-	542,553	2,775,000
Mr D Tenardi	5,968,085	-	-	2,531,915	8,500,000
Mr P Lewis ²	-	-	-	-	-
Mr S Middlemas ³	150,000	-	-	-	150,000

¹ Mr Dawson was appointed Managing Director on 10 January 2011.

² Mr Lewis was appointed Company Secretary on 12 January 2011.

³ Mr Middlemas resigned as Company Secretary on 12 January 2011.

⁴ Mr Brook resigned as a Non-executive Director on the 8 June 2012, the holdings outlined above are his holdings as at the time of his resignation.

⁵ Mr Forrester resigned as a Non-executive Director on the 6 June 2012, the holdings outlined above are his holdings as at the time of his resignation.

⁶ Mr P Bailey was appointed Non-executive Director on 6 June 2012.

⁷ Mr M Coote was appointed Non-executive Director on 8 June 2012.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

15. RELATED PARTIES (Continued)

Performance shares

2011/2012	A Class Performance Shares¹	B Class Performance Shares	C Class Performance Shares	D Class Performance Shares
	30 June 2012	30 June 2012	30 June 2012	30 June 2012
Mr L Atkins	-	-	-	-
Mr R Dawson	-	2,000,000	3,000,000	3,000,000
Mr D Brook	-	-	-	-
Mr C Forrester	-	-	-	-
Mr D Tenardi	-	-	-	-
Mr P Bailey	-	-	-	-
Mr M Coote	-	-	-	-
Mr P Lewis	-	-	-	-
2010/2011	30 June 2011	30 June 2011	30 June 2011	30 June 2011
Mr L Atkins	-	-	-	-
Mr R Dawson	-	2,000,000	3,000,000	3,000,000
Mr D Brook	-	-	-	-
Mr C Forrester	-	-	-	-
Mr D Tenardi	-	-	-	-
Mr S Middlemas	-	-	-	-

Note all movements for the year are through issues/purchases – there were no sales during the year.

16. EXPENDITURE COMMITMENTS

(a) Exploration

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programs and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and those which cover the following twelve month period amount to \$1,082,000 (2011: \$903,900). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

(b) Capital Commitments

The Company had no capital commitments at 30 June 2012 (2011 - \$Nil).

17. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The financial statements presented above are the same as the reports the directors review. The Company operates predominantly in one segment involved in the mineral exploration and development industry. Geographically the Company is domiciled and operates in one segment being Australia.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
18. EARNINGS/ (LOSS) PER SHARE		
The following reflects the loss and share data used in the calculations of basic and diluted earnings/ (loss) per share:		
Earnings/ (loss) used in calculating basic and diluted earnings/ (loss) per share	(755,385)	(922,075)
	Number of Shares <u>2012</u>	Number of Shares <u>2011</u>
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	100,978,386	86,210,618
Basic loss per share (cents per share)	0.7 cents	0.1 cents

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
19. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Cash and Cash Equivalents		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash on hand	2	2
Cash at bank	1,893,696	37,494
Deposits at call	<u>3,061,932</u>	<u>6,542,800</u>
	<u>4,955,630</u>	<u>6,580,296</u>
(b) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities		
Loss from ordinary activities after income tax	(755,385)	(922,075)
<i>Non-cash items:</i>		
Depreciation	35,419	25,140
Expense of share-based payments	184,111	267,018
<i>Change in operating assets and liabilities:</i>		
Increase in exploration	(954,851)	(507,205)
Increase (Decrease) in receivables	(329,543)	(143,577)
Decrease (Increase) in prepayments	7,500	1,500
Increase in trade creditors and accruals	<u>158,609</u>	<u>(89,117)</u>
Net cash outflows used in operating activities	<u>(1,654,140)</u>	<u>(1,336,958)</u>

(c) Stand-By Credit Facilities

As at 30 June 2011 the Company has a business credit card facility available totalling \$10,000 (2011:\$10,000) of which \$4,266 was utilized (2011:\$4,116).

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

20. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks and market risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(a) Interest Rate Risk

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

2012

	Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate \$	Fixed Interest Rate \$	Assets/ (Liabilities) Non Interest Bearing \$	Total \$
<u>Financial Assets</u>						
Cash and cash equivalents	19(a)	4.63%	1,893,696	3,061,932	2	4,955,630
Other receivables	6		-	-	306,054	306,054
Total Financial Assets			1,893,696	3,061,932	306,056	5,261,684
<u>Financial Liabilities</u>						
Payables	10		-	-	(260,401)	(260,401)
Total Financial Liabilities			-	-	(260,401)	(260,401)
Net Financial Assets			1,893,696	3,061,932	45,655	5,001,283

2011

<u>Financial Assets</u>						
Cash and cash equivalents	19(a)	5.22%	37,494	6,542,800	2	6,580,296
Other receivables	6	-	-	-	143,577	143,577
Total Financial Assets			37,494	6,542,800	143,579	6,723,873
<u>Financial Liabilities</u>						
Payables	10	-	-	-	(101,791)	(101,791)
Total Financial Liabilities			-	-	(101,791)	(101,791)
Net Financial Assets			37,494	6,542,800	41,788	6,622,082

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and in the notes to the financial statements.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

20. FINANCIAL INSTRUMENTS (Continued)

The Company does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(c) Commodity Price Risk and Liquidity Risk

At the present state of the Company's operations it has minimal commodity price risk and limited liquidity risk due to the level of payables and cash reserves held. The Company's objective is to maintain a balance between continuity of exploration funding and flexibility through the use of available cash reserves.

(d) Net Fair Values

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where the carrying amount exceeds net fair values at balance date.

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

21. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements

There are the following employee entitlements at 30 June 2012: Annual Leave Provision \$40,845 (2011: Nil).

Directors, Officers, Employees and Other Permitted Persons Option Plan

Details of the Company's Directors, Officers, Employees and Other Permitted Persons Option Plan are disclosed in Note 14.

Superannuation Commitments

The Company contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

Accordingly no actuarial assessment of the plans is required.

Funds are available for the purposes of the plans to satisfy all benefits that would have been vested under the plans in the event of:

- termination of the plans;
- voluntary termination by all employees of their employment; and
- compulsory termination by the employer of the employment of each employee.
- during the year employer contributions (including salary sacrifice amounts) to superannuation plans totaled \$59,443 (2011: \$34,327).

22. CONTINGENT LIABILITIES

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2012 other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

23. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen, since the end of the financial year, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years apart from:

As announced on 2 August 2012, the Company issued 390,000 AKA shares as part of the consideration for the Green Range Coal Project.

As announced on 17 August 2012, the Company issued 6,250,000 AKA shares and 2,500,000 unlisted options expiring 15 August 2014 for an exercise price of \$0.20 as consideration for 100% of the Southdown Extension EL70/2640-1 tenement.

24. PARENT ENTITY DISCLOSURES

	2012 \$	2011 \$
Financial position		
Assets		
Current Assets	5,428,749	6,731,373
Non-Current Assets	2,273,129	1,336,644
Total Assets	7,701,878	8,068,017
Liabilities		
Current Liabilities	260,401	101,791
Total Liabilities	260,401	101,791
Equity		
Contributed equity	8,805,581	8,804,581
Accumulated losses	(2,285,153)	(1,533,305)
Option reserve	921,049	694,950
Total Equity	7,441,477	7,966,226
Financial Performance		
Loss for the year	(751,847)	(918,688)
Other comprehensive income	-	-
Total comprehensive income	(751,847)	(918,688)

AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

25. CONTROLLED ENTITIES

Investments in controlled entities comprise:

Name		Principal activities	Beneficial percentage held by economic entity	
			2012	2011
			%	%
Australia Minerals & Mining Group Ltd		Parent entity		
Wholly owned controlled entities:				
Kaolin Resources Pty Ltd		Mineral exploration	100	100
WA Gypsum Pty Ltd		Mineral exploration	100	100
Yilgarn Iron Pty Ltd		Mineral exploration	100	100
Canning Coal Pty Ltd		Mineral exploration	100	100
East Pilbara Pty Ltd		Mineral exploration	100	-
Australia Mineral Sands Pty Ltd		Mineral exploration	100	-
Albany Energy Pty Ltd		Mineral exploration	100	-
Solar Energy Pty Ltd (now Musselbrook Iron Pty Ltd)		Mineral exploration	100	-

All controlled entities are incorporated in Australia. Australia Minerals and Mining Group Limited is the head entity of the consolidated group, which includes all of the controlled entities.

AUSTRALIA MINERALS & MINING GROUP LIMITED

DIRECTOR'S DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 13 - 39, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated group.
2. The Chief Executive Officer and Chief Finance Officer have each given the declarations required by s295A of the Corporations Act 2001.
3. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed by authority for and on behalf of the Directors by:

R Dawson

Dated this 24th day of September 2012

AUDIT REPORT

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AUSTRALIA MINERALS AND MINING GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Australia Minerals and Mining Group Limited, which comprises the statements of financial position as at 30 June 2012, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

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 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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 Australia Minerals and Mining Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

AUSTRALIA MINERALS & MINING GROUP LIMITED

AUDIT REPORT

MOORE STEPHENS

ACCOUNTANTS & ADVISORS

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Opinion

In our opinion:

- a) the financial report of Australia Minerals and Mining Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the period 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 on pages 8 to 11 of the directors' report for the period ended 30 June 2012. 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.

Auditor's Opinion

In our opinion the remuneration report of Australia Minerals and Mining Group Limited for the period ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



Neil Pace
Partner



Moore Stephens
Chartered Accountants

Dated this 24th day of September 2012,
in Perth, Western Australia.

AUSTRALIA MINERALS & MINING GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australia Minerals & Mining Group Limited ("AMMG") is responsible for its corporate governance, that is, the system by which the Group is managed. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance recommendations unless otherwise stated.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

ASX Principle 1

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board

ASX Principle 2

The Company currently has the following Board members:

Mr Luke Atkins	Non-Executive Chairman
Mr Ric Dawson	Managing Director
Mr Jamie Coote	Non-Executive Director
Mr Peter Bailey	Non-Executive Director
Mr Daniel Tenardi	Non-Executive Director

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

AUSTRALIA MINERALS & MINING GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board has assessed the independence status of the directors and has determined that the independent directors are:

- Peter Bailey; and
- Jamie Coote.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be appointed.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board's duties and physical ability to undertake the Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

CORPORATE GOVERNANCE STATEMENT

1.3 Committees of the Board (Continued)

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

The Company continues to monitor its compliance with Listing Rule 12.7 with respect to the requirement to have an audit committee and to comply with the best practice recommendations set by the ASX Corporate Governance Council in relation to the composition, operation and responsibility of the audit committee.

1.4 Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

2.1 Code of Conduct for Directors

ASX Principle 3

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the Company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the Company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

CORPORATE GOVERNANCE STATEMENT

2.1 Code of Conduct for Directors (Continued)

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates; perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all Directors and employees of the Group. Directors and employees must not:

- deal in the Company's securities on considerations of a short term nature and must also take reasonable steps to prevent any person connected with them from doing the same;
- deal in the Company's securities during a close period; and
- deal in any of the Company's securities if they have unpublished price-sensitive information.

A 'close period' is:

- the period of five days immediately preceding the preliminary announcement of the Company's annual results; and
- the period of five days immediately preceding the announcement of the Company's half-year results.

'Unpublished price sensitive information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to have a significant effect on the price or value of the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others - including colleagues, family or friends - knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, clearance must be obtained from the Chairman before dealing in any securities and Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company. Breaches of this policy will be subject to disciplinary action, which may include termination of employment. The share trading policy can be viewed on the Company's website.

CORPORATE GOVERNANCE STATEMENT

2.4 Interests of Other Stakeholders

ASX Principle 10

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve. To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. DISCLOSURE OF INFORMATION

3.1 Continuous Disclosure to ASX

ASX Principle 5

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

1. It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
2. The information is confidential; or
3. One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes;
 - v. The information is a trade secret;
 - vi. It would breach a material term of an agreement, to which the Group is a party, to disclose the information;
 - vii. The information is scientific data that release of which may benefit the Group's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2 Communication with Shareholders

ASX Principle 6

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meeting's; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

AUSTRALIA MINERALS & MINING GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

4. RISK MANAGEMENT AND INTERNAL CONTROL

4.1 Approach to Risk Management and Internal Control

ASX Principle 7

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licences, permits and approvals from governmental authorities;
- ability to obtain additional financing; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

4.2 Risk Management Roles and Responsibilities

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently if required, that management has developed and implemented a sound system of risk management and internal control.

In 2012 the Board reviewed the overall risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks.

4.3 Integrity of Financial Reporting

ASX Principle 4

The Board also receives a written assurance from the Chief Executive Officer or equivalent (CEO) and the Chief Financial Officer or equivalent (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

4.4 Role of External Auditor

ASX Principle 6

The Group's practice is to invite the auditor (who now must attend) 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 auditor's report.

AUSTRALIA MINERALS & MINING GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

5. PERFORMANCE REVIEW

ASX Principle 8

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Managing Director.

In 2012, performance evaluations for senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

6. REMUNERATION ARRANGEMENTS

ASX Principle 9

The broad 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 consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives and consultants.

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 aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

AUSTRALIA MINERALS & MINING GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

During the 2012 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Recommendation Ref	Notification of Departure	Explanation for Departure
2.1	A majority of the Board are not independent directors.	The Board considers that only two out of the five Directors are independent directors in accordance with the ASX Corporate Governance Council's definition of independence: Mr Peter Bailey (Independent Non-Executive) and Mr Jamie Coote (Independent Non-Executive) The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent non-executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.
2.2	The Chairman is not Independent	Mr Atkins currently holds the position of Non-Executive Chairman which does not comply with the ASX Corporate Governance Council's recommendations. While the Board considers the importance of a division of responsibility and independence at the head of the Company, the existing structure is considered appropriate and provides a unified leadership structure. Mr Atkins has been the major force behind the IPO of the Company and its current growth and direction. The Board considers at this stage of the Company's development he is able to bring quality and independent judgement to all relevant issues, and the Company benefits from his long standing experience of its operations and business relationships
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed and there is not an Audit Committee operating charter.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. The Company continues to monitor its compliance with Listing Rule 12.7 with respect to the requirement to have an audit committee and to comply with the best practice recommendations set by the ASX Corporate Governance Council in relation to the composition, operation and responsibility of the audit committee.
8.1	There is no separate Remuneration Committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

Further details of the Company's corporate governance policies and practices are available on the Company's website at www.ammq.com.au.

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 10 September 2012.

TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	No of Ordinary Shares Held	Percentage % of Issued Shares
LAKE MCLEOD GYPSUM PL	23,900,002	22.21%
TENARDI DANIEL LEWIS	7,000,000	6.50%
MINEMAKERS IRON PL	5,000,000	4.65%
SHARBANEE PAUL GABRIEL	5,000,000	4.65%
AUST MINERAL INV GRP PL	3,750,000	3.48%
EAGLE RIVER HLDGS PL	2,900,000	2.69%
FORRESTER CHRISTOPHER J	2,750,000	2.56%
VANGUARD CUSTS PL	2,500,000	2.32%
AUST GLOBAL CAP PL	2,500,000	2.32%
ALBATROSS PASS PL	2,148,300	2.00%
ATKINS LUKE FREDERICK	2,000,000	1.86%
PETERSON JASON + LISA	1,533,333	1.42%
JANKOWSKA S P + TENARDI D	1,500,000	1.39%
CUNNINGHAM A R + SNOOKS N	1,343,334	1.25%
STEV SAND HLDGS PL	1,000,000	0.93%
CAPLE R J + CAMERON F M	812,500	0.75%
ARREDO PL	800,000	0.74%
CHENG WING RES LTD	800,000	0.74%
MIKADO CORP PL	750,000	0.70%
SHAH NOM PL	750,000	0.70%
Total Top 20	68,737,469	64.86%
Others	38,882,533	35.14%
Total Ordinary Shares on Issue	107,620,002	100.00%

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

TWENTY LARGEST HOLDERS OF LISTED SECURITIES (Continued)

\$0.20 Listed Options

Name	No of \$0.20 Listed Options Held	Percentage of \$0.20 Listed Options
LAKE MCLEOD GYPSUM PL	8,470,323	20.18%
JACOBS CORP PL	4,000,000	9.53%
ALBATROSS PASS PL	1,477,868	3.52%
LTL CAP PL	1,345,000	3.20%
EAGLE RIVER HLDGS PL	1,170,000	2.79%
FORRESTER CHRISTOPHER J	1,103,723	2.63%
OSIRIS CAP INV PL	1,000,000	2.38%
CLASSICO HLDGS PL	1,000,000	2.38%
SOUTHWELL VANESSA HELEN	1,000,000	2.38%
HEWITT GABRIEL	850,000	2.02%
CARTER STACEY HUBERT	712,942	1.70%
KEY INTNL PL	700,000	1.67%
JOHAL TEJINDER	600,000	1.43%
TWOFIVETWO PL	500,000	1.19%
EASTHER RYAN MATTHEW	500,000	1.19%
SANTUL JOHN	500,000	1.19%
CAPOZZI GEORGE ANTHONY	500,000	1.19%
BOUSGAS CONSTANTINE	500,000	1.19%
PETERSON JASON + LISA	500,000	1.19%
Total Top 20	26,429,856	62.95%
Others	15,557,645	37.05%
Total \$0.20 Listed Options on Issue	41,987,501	100.00%

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of security holders by size of holding as at 10 September 2012:

Distribution	Ordinary Shares		\$0.20 Listed Options	
	Number of Shareholders	Number of Shares	Number of Option holders	Number of Options
1 – 1,000	7	1,948	-	-
1,001 – 5,000	16	57,491	25	118,725
5,001 – 10,000	102	985,800	7	61,250
10,001 – 100,000	231	11,076,623	87	4,162,867
100,001 – and over	119	95,498,140	67	37,644,659
Totals	475	107,620,002	186	41,987,501

There were 25 holders of less than a marketable parcel of ordinary.

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding Company's register as at 10 September 2012 are:

Substantial Shareholder	Number of Shares
Lake Macleod Gypsum Pty Ltd	23,800,002
Daniel Tenardi & Associates	7,000,000

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

UNQUOTED SECURITIES

1 Class B Performance Shares

Holder	Number
Class B Performance Shares	
Classico Holdings Pty Ltd*	2,000,000
Total	2,000,000
* An entity controlled by Mr Ric Dawson	

The Class B Performance Shares ("Performance Shares") will convert into fully paid ordinary shares in the capital of the Company upon the following milestones being met:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$20,000,000; and
- (ii) Mr Dawson has completed a minimum of eighteen (18) months continuous employment with the Company in the position of Managing Director (Class B Employment Milestone).

2 Class C Performance Shares

Holder	Number
Class C Performance Shares	
Classico Holdings Pty Ltd*	3,000,000
Total	3,000,000
* An entity controlled by Mr Ric Dawson	

The Class C Performance Shares ("Performance Shares") will convert into fully paid ordinary shares in the capital of the Company upon the following milestones being met:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$35,000,000; and
- (ii) Mr Dawson has completed a minimum of twenty-four (24) months continuous employment with the Company in the position of Managing Director (Class C Employment Milestone).

3 Class D Performance Shares

Holder	Number
Class D Performance Shares	
Classico Holdings Pty Ltd*	3,000,000
Total	3,000,000
* An entity controlled by Mr Ric Dawson	

The Class D Performance Shares ("Performance Shares") will convert into fully paid ordinary shares in the capital of the Company upon the following milestones being met:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$50,000,000; and
- (ii) Mr Dawson has completed a minimum of thirty-six (36) months continuous employment with the Company in the position of Managing Director (Class D Employment Milestone).

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

4 Employee Performance Rights

Holder	Number
5 Employee Performance Rights	
Jane Carew-Reid	52,600
Summer Qi	52,600
Michael O'Mara	33,300
Joel Rowe	34,500
Total	173,000

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ADDITIONAL INFORMATION

UNQUOTED SECURITIES

The names of the holders holding more than 20% of each class of unlisted securities are listed below:

Holder	Number
\$0.20 Options Expiring 31 August 2015	
Luke Atkins	6,000,000
David Brook	2,000,000
Total	8,000,000
\$0.20 Options Expiring 8 February 2015	
William Witham	500,000
\$0.30 Options Expiring 4 February 2015	
Sam Middlemas	333,333
\$0.25 Options Expiring 15 March 2015	
Jane Carew-Reid	100,000
Summer Qi	100,000
Total	200,000
\$0.20 Options Expiring 31 January 2017	
Piers Lewis	600,000
Total	9,633,332

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Australia Minerals and Mining Group's listed securities.

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

EXPLORATION INTERESTS

As at 30 June 2012, the Company has an interest in the following tenements:

Tenement ID	Registered Holder	State	Site	AMMG Interest	Grant Date
EPM16620	Australia Minerals & Mining Group	QLD	Constance Range	100%	04/11/2005
EPM17164	Australia Minerals & Mining Group	QLD	Constance Range	100%	Application
EPM17919	Australia Minerals & Mining Group	QLD	Constance Range	100%	23/03/2011
EPM17920	Australia Minerals & Mining Group	QLD	Constance Range	100%	Application
EPM18375	Australia Minerals & Mining Group	QLD	Constance Range	100%	24/04/2012
EPM18710	Australia Minerals & Mining Group	QLD	Constance Range	100%	Application
EPM19722	Australia Minerals & Mining Group	QLD	Constance Range	100%	Application
E30/417	Australia Minerals & Mining Group	WA	Ilara	100%	20/12/2010
E70/4322	Australia Minerals & Mining Group	WA	Kerrigan	100%	Application
EPM17331	Australia Minerals & Mining Group	QLD	Maytown	100%	Application
EPM18030	Australia Minerals & Mining Group	QLD	Maytown	100%	Application
E70/3923	Australia Minerals & Mining Group	WA	Meckering	100%	26/11/2010
E77/1770	Australia Minerals & Mining Group	WA	Seabrook	100%	08/11/2010
E04/2201	Australia Minerals & Mining Group	WA	Canning Coal	100%	Application
E70/4341	Australia Mineral Sands	WA	Beenup	100%	Application
E04/2103	Canning Coal	WA	Canning Coal	100%	Application
E04/2172	Canning Coal	WA	Canning Coal	100%	Application
E04/2173	Canning Coal	WA	Canning Coal	100%	Application
E04/2174	Canning Coal	WA	Canning Coal	100%	Application
E04/2175	Canning Coal	WA	Canning Coal	100%	Application
E04/2176	Canning Coal	WA	Canning Coal	100%	Application
E45/4067	East Pilbara	WA	East Pilbara	100%	Application
E70/4256	Kaolin Resources	WA	Meckering	100%	Application
E70/4257	Kaolin Resources	WA	Meckering	100%	Application
E70/4372	Kaolin Resources	WA	Bobalong	100%	Application
E70/3902	Kaolin Resources	WA	Gairdner	100%	01/07/2011
E70/4368	Kaolin Resources	WA	Kellerberrin	100%	Application
E70/4369	Kaolin Resources	WA	Kellerberrin	100%	Application
E70/4290	Kaolin Resources	WA	Kerrigan	100%	Application
E70/4364	Kaolin Resources	WA	Meckering	100%	Application
E70/4365	Kaolin Resources	WA	Meckering	100%	Application
E70/4366	Kaolin Resources	WA	Meckering	100%	Application
E70/4367	Kaolin Resources	WA	Meckering	100%	Application
E77/1746	Oliver, A	WA	Lake Deborah	Earning 100%	21/09/2010
E77/1747	Oliver, A	WA	Lake Deborah	Earning 100%	21/09/2010
E77/1748	Oliver, A	WA	Lake Deborah	Earning 100%	21/09/2010
EPM19772	Solar Energy	QLD	Constance Range	100%	Application
EPM19773	Solar Energy	QLD	Constance Range	100%	Application
E09/1572	Tailrain	WA	Lake Macleod	Earning 100%	15/03/2010
E08/2304	WA Gypsum	WA	Lake Macleod	100%	Application
E08/2351	WA Gypsum	WA	Lake Macleod	100%	Application
E09/1990	WA Gypsum	WA	Lake Macleod	100%	Application
E09/1949	WA Gypsum	WA	Lake Macleod	100%	Application
E09/1950	WA Gypsum	WA	Lake Macleod	100%	Application
E09/1975	WA Gypsum	WA	Lake Macleod	100%	Application
E70/4087	Yilgarn Iron Ore	WA	Bencubbin	100%	06/07/2011
E77/2041	Yilgarn Iron Ore	WA	Brontie	100%	Application
E70/4362	Yilgarn Iron Ore	WA	Dalwallinu	100%	Application
E70/4363	Yilgarn Iron Ore	WA	Dalwallinu	100%	Application
E70/4323	Yilgarn Iron Ore	WA	Goomalling	100%	Application
E70/4304	Yilgarn Iron Ore	WA	Green Range	100%	Application
E70/4307	Yilgarn Iron Ore	WA	Green Range	100%	Application
E70/4118	Yilgarn Iron Ore	WA	Kukerin	100%	Application

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

Tenement ID	Registered Holder	State	Site	AMMG Interest	Grant Date
E70/4131	Yilgarn Iron Ore	WA	Pingaring	100%	31/05/2012
E70/2640	Minemakers (Iron); P.Askins; J.Stewart	WA	Southdown	Earning 100%	22/02/2005
E70/4238	Yilgarn Iron Ore	WA	Southdown	100%	14/12/2011
E70/4239	Yilgarn Iron Ore	WA	Southdown	100%	15/12/2011
E70/4240	Yilgarn Iron Ore	WA	Southdown	100%	15/12/2011
E70/4241	Yilgarn Iron Ore	WA	Southdown	100%	15/12/2011
E70/4242	Yilgarn Iron Ore	WA	Southdown	100%	15/12/2011
E70/4348	Yilgarn Iron Ore	WA	Wongan Hills	100%	Application
E70/4303	Yilgarn Iron Ore	WA	Yuna	100%	Application
E70/4305	Yilgarn Iron Ore	WA	Yuna	100%	Application