

AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012**

Table Of Contents

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	17
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	21
CONSOLIDATED STATEMENT OF CASH FLOWS	22
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	23
DIRECTORS' DECLARATION	62
INDEPENDENT AUDIT REPORT	63
CORPORATE GOVERNANCE STATEMENT 2011 - 2012	65
ADDITIONAL ASX INFORMATION	74
TENEMENTS SCHEDULE	76

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Consolidated Group comprising Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities and the Consolidated Group's interest in jointly controlled entities for the year ended 30 June 2012, and the auditor's report thereon.

1. DIRECTORS

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

Michael Ramsden – Chairman appointed 9 March 2011
BEC, LLB, FFIN

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

Benjamin Bell – Managing Director appointed 23 January 2012
BSc, MMET, MBA

Benjamin Bell has over 15 years experience as a geologist and geophysicist in the mineral industry, including 10 years in gold exploration. Mr Bell joined the Company as Chief Executive Officer on 8 November 2011, and was subsequently appointed as Managing Director in January. Previously Mr Bell was CEO of Ausgold Limited, and has consulted to other ASX listed gold explorers. He has held senior exploration geologist roles with Regis Resource Ltd and others, and has managed the operations of UTS Geophysics and the airborne geophysical arm of Geoscience Australia.

Mick Elias – Non-Executive Director appointed 1 July 2005
BSc(Hons), FAusIMM, CPGeo

Mick Elias has over 25 years of extensive, international experience in all aspects of nickel resource development in both laterites and sulphides, from project generation and evaluation, exploration planning and management, development studies, open cut and underground mine geology, resource/reserve estimation, and resource economics.

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

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

Neil Warburton is a qualified mining engineer with more than 30 years experience in the development and mining of gold and nickel projects in Australia. He has held executive and board positions with a number of large Australian mining and contracting companies. Mr Warburton is currently Executive Chairman and Acting CEO of Red Mountain Mining Ltd. He was previously the Chief Executive Officer of Barmenco Ltd until March 2012, one of Australia's largest underground mining contractors, which operates in Australia and Africa. Before joining Barmenco, Mr Warburton was Managing Director of Coolgardie Gold.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

***Dominic Marinelli – Non-Executive Director appointed 9 March 2011
Acted as an Executive Director from 12 August 2011 until 8 November 2011
MBA, BEng, PGD Sc***

Dominic Marinelli has over 20 years of corporate fundraising experience covering a wide range of industries including resources (including resources in Nigeria) and other emerging technologies. Mr Marinelli is a Director of Terrain Capital in Australia and of unlisted explorer West Africa Coal Pty Ltd.

***Brett Young – Non-Executive Director from 12 August 2011 until 1 May 2012
Previously Executive Director and Chief Operating Office from 17 October 2005 until 12 August 2011,
and Company Secretary from 1 September 2004 until 14 September 2011
BCom, CA***

Brett Young is a Chartered Accountant with more than 25 years commercial and financial experience in resource based companies.

Mr Young has held senior management positions with major resource companies including Commercial Manager for Pasminco Century Zinc in the start up phase, KCGM, Newcrest and WMC. He has experience in commercial evaluation of projects, company secretarial, implementing corporate strategies and developing information systems.

2. COMPANY SECRETARY

The Company Secretaries of the Company during or since the end of the financial year are:

Sally Grice – BCom, CA appointed 8 August 2011

Sally Grice is a Chartered Accountant and holds a Bachelor of Commerce degree from UWA. She has more than 25 years commercial and financial experience in resource based and related industry companies.

***Brett Young – BCom, CA appointed 1 September 2004, resigned 14 September 2011
(see details above)***

3. DIRECTORS' MEETINGS

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

Director	Board Meetings		Remuneration Committee	
	Held	Attended	Held	Attended
Michael Ramsden	11	11	1	1
Benjamin Bell	5	5	-	-
Mick Elias	11	11	1	1
Dominic Marinelli	11	11	1	1
Neil Warburton	11	7	2	2
Brett Young	9	5	-	-

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

3. DIRECTORS' MEETINGS (cont.)

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

An Audit and Risk Committee was formed after year end, and held its first meeting in September 2012.

4. PRINCIPAL ACTIVITIES

The acquisition of Nigeria Gold Pty Ltd ("NGL") was completed during the year, with the issue of the remaining shares negotiated in accordance with the purchase agreement approved on 9 March 2011. NGL's Nigerian subsidiary Mines Geotechniques Limited has conducted exploration work including soil sampling and aerial surveys of its Nigerian exploration licences, and plans to start drilling some of these areas later in 2012.

In Australia, the principal activities comprised the exploration for gold on its Golden Ridge tenements and at Mt Martin gold mine located near Kalgoorlie in Western Australia. Limited exploration work was done on the Consolidated Group's nickel assets. There was no mining of nickel ore at the Blair Nickel Mine and the mine remained in indefinite suspension since December 2008 due to sub-economic prevailing conditions.

5. OPERATING AND FINANCIAL REVIEW

Review of financial condition

The Consolidated Group made a loss for the year of \$2,797,000 (2011: loss \$3,095,000)

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

Financials	2012	2011
	\$'000 s	\$'000 s
Revenue from operating activities	-	-
Net Loss	(2,797)	(3,095)
Cash and cash equivalents	3,197	816

Results of Operations

During this year the Consolidated Group has focused on exploration in Nigeria, finalising the sale of Mt Martin to HBJ Minerals Pty Ltd, and attempting to sell the Blair Nickel Mine and the remaining tenements at Golden Ridge.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

Nigeria

To complete the acquisition of 100% of Nigeria Gold Pty Ltd, the Company issued an additional 89,999,998 ordinary shares during the period to the previous shareholders of Nigeria Gold. Of these shares, only 60,000,000 had been recognised as a liability at 30 June 2011. An additional 29,999,998 shares were issued in recognition of the additional tenements granted by 31 July 2011. These share issues increased the Company's issued capital by \$1,454,010.

Mt Martin Gold Project

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

The binding TPA provides for the acquisition of the Mt Martin gold deposit and its associated leases by HBJ Minerals Pty Ltd, a wholly-owned subsidiary of Alacer Gold Corp. (TSX: ASR, ASX: AQG). This sale included East Location 45, including 2 associated leases M26/464, M6/132 together with Duplex Hill (Woodline Project) and the southern portion of E26/139.

Under the terms of the TPA, \$5 million of the purchase consideration has been received, and the final instalment of \$2.5 million is receivable on 28 June 2013.

Golden Ridge Tenements & Blair Nickel Mine, Kalgoorlie Western Australia

The Mt Martin sale did not include the Blair Nickel Mine, which is 100% controlled by the Group, nor the Golden Ridge tenements (other than the southern portion of E26/139), where the Group controls 100% of the gold rights, in addition to 44% of the nickel rights through the Golden Ridge Joint Venture with Pioneer Resources. However an agreement for their sale was signed in July 2012 with Pioneer Resources, and the assets are held in the accounts at the amount which is expected to be received at settlement during the next few months.

Marriott's Project

The sale of Mt Martin and Golden Ridge will leave only one tenement held in Australia, the Marriott's Nickel Sulphide resource near Leinster in Western Australia. This tenement will continue to be held while the nickel price is relatively low.

6. DIVIDENDS

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

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

7. EVENTS SUBSEQUENT TO BALANCE DATE

On 10 July 2012 the Company signed a binding Sale and Purchase Agreement, subject to conditions precedent discussed below, for the sale of the Group's Blair Nickel and Golden Ridge Project to Pioneer Resources Limited for a cash consideration of \$700,000. In addition, the sale includes the replacement by Pioneer of performance bonds of \$207,000 and the assumption of the liability for rehabilitation. The sale is subject to third party consents and statutory and regulatory approvals, and is expected to be completed within the 2012-2013 financial year. As the assets held for sale less the provision for rehabilitation equal the proceeds of \$700,000 there is expected to be no gain or loss on disposal.

8. LIKELY DEVELOPMENTS

After selling its Australian assets, the Group will focus on exploration opportunities in Nigeria, where it is believed the region has the potential for multi-million ounce gold and significant base metal discoveries. The Group will also continue to assess resource exploration and production opportunities in other geographies, where it is believed they will enhance shareholder value.

9. DIRECTORS' INTERESTS

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

Specified Directors	Shares	Listed Options	Unlisted Options
M Ramsden (i)	20,524,156	-	6,800,000
B Bell (ii)	650,000	-	13,600,000
M Elias (iii)	2,000,000	48,891	6,800,000
D Marinelli (iv)	22,698,573	-	6,800,000
N Warburton (v)	4,116,564	392,784	6,800,000
Other Key Employees			
S Grice	2,050,000	-	-
D Aliyu	29,930,722	-	6,800,000

(i) Mr M Ramsden has a relevant interest in the following shares - 2,533,803 shares held by Pacrim Investment Consultants Pty Ltd <Pacrim Super Fund>, 2,898,055 shares held by Pacrim Investment Consultants Pty Ltd <Super Fund A/C>, 6,589,020 held by Terrain Capital Limited, and 8,503,278 shares held by Whitehaven Investments Pty Ltd <Ramsden Family Trust>. (Whitehaven Investments Pty Ltd <Ramsden Family Trust > also holds 248,175 shares in trust for an unrelated party, and Terrain Capital holds 124,087 shares in trust for an unrelated party.)

(ii) Mr B Bell has a relevant interest in 650,000 shares held by B & R Bell <Kestrel Investment Fund>.

(iii) Mr M Elias owns a relevant interest in the 2,000,000 shares held by M & C Elias <Elias Super Fund>.

(iv) Mr D Marinelli has a relevant interest in the following shares - 6,589,022 shares held by D & V Marinelli <Monte Amaro Super Fund>, and 16,109,551 shares held by D Marinelli <The Monte Acquaviva Trust>. (D Marinelli <The Monte Acquaviva Trust> holds another 31,022 shares in trust for an unrelated party.)

(v) Mr N Warburton has a relevant interest in the following shares - 1,946,563 shares held by Michlange Pty Ltd <Warburton Family Trust> and 2,170,001 held by Michlange Pty Ltd <Warburton Super Fund>.

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

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

10. SHARE OPTIONS

Unissued shares under options

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

	Expiry date	Exercise price	Number of options
Unlisted share options			
Specified director share options	30 November 2014	\$0.020	4,533,334
Specified director share options	30 November 2014	\$0.025	4,533,333
Specified director share options	30 November 2014	\$0.030	4,533,333
Specified director share options	30 November 2014	\$0.027	9,066,664
Specified director share options	30 November 2014	\$0.035	9,066,668
Specified director share options	30 November 2014	\$0.045	9,066,668
Specified employee share options	30 November 2014	\$0.027	2,266,666
Specified employee share options	30 November 2014	\$0.035	2,266,667
Specified employee share options	30 November 2014	\$0.045	2,266,667
Listed share options	30 June 2013	\$0.040	59,563,052
			107,163,052
Options exercised during the year	30 June 2013	\$0.04	700
Options expired, forfeited or relinquished during the year:	31 December 2011	\$1.00	75,000
	31 December 2011	\$1.50	162,500
	31 December 2011	\$2.00	162,500
	31 December 2011	\$2.50	162,500
	31 December 2014	\$0.06	3,250,000
	31 December 2014	\$0.08	3,250,000
	31 December 2014	\$0.10	3,250,000
	31 December 2014	\$0.12	3,250,000

11. REMUNERATION REPORT – AUDITED

11.1 Overview of Remuneration Policies

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 that reflects the person's responsibilities, duties and personal performance. An employee option scheme for key Executives is in place.

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

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

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

11. REMUNERATION REPORT (cont.)

11.2 Principles of Compensation

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

Fixed Compensation

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

Performance-linked Compensation

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

Short term Incentive Bonus

The company has no scheme to pay discretionary bonuses based on performance, and none was paid this year.

Long Term Incentive Bonus - Employee Share Option Plan

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

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

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

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

As a result of the plan, there are currently 47,600,000 unissued shares of the Company under option. The fair value of the options is estimated at the date of grant using the Black-Scholes model. There were 47,600,000 options granted under the plan during the year 30 June 2012.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

11. REMUNERATION REPORT (cont.)

11.2 Principles of Compensation (cont.)

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

Consequences of Performance on Shareholder Wealth

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

	2012	2011	2010
Loss for the year	\$2,797,000	\$3,095,000	\$129,000
Change in Share Price	(13%)	(32%)	(45%)

Service Contracts - Executive Director

The Company has entered into a service agreement contract with Executive Director, Mr Benjamin Bell who was employed on a salary of \$300,000 per annum plus 9% superannuation effective from 8 November 2011. His salary was increased to \$315,000 from 1 July 2012.

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

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

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

Service Contracts - Executive Officers

The Company has entered into employment contracts with Executive Officers.

Commencing 21 June 2011, Ms S Grice was employed on a part-time basis as Company Secretary and Financial Officer on a salary of \$100 per hour plus 9% superannuation. This contract requires one month written notice to be terminated by either party.

Commencing 19 April 2011, Mr D Aliyu was employed as a consultant in Nigerian at a salary of US\$6,000 per month. Mr Aliyu is also a Director of Mines Geotechniques Limited, for which he received Directors Fees of A\$20,000 per annum. His contract requires one month written notice to be terminated by either party.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

11. REMUNERATION REPORT (cont.)

11.2 Principles of Compensation (cont.)

Non-Executive Directors

Total remuneration for all Non-Executive Directors is not to exceed \$300,000 per annum, excluding options which are approved separately at a general meeting. Non-executive Directors' fees are set with reference to fees paid to other Non-Executive Directors of comparable companies, and are presently \$55,000 (2011: \$55,000) per annum. The Non-Executive Chairman receives a fee of \$86,000 (2011: \$86,000) per annum.

Directors' fees cover all main board activities and membership of committees. The directors have participated in the Employees Option Plan and received an allotment of unlisted options as detailed in note 32.

Dates of Appointment and Termination

Where the remuneration is not applicable to the full year, the relevant dates are shown below:

	Position	Effective From	Effective To
Michael Ramsden	Non-Executive Chairman	9 March 2011	
Neil Warburton	Chairman		9 March 2011
Dominic Marinelli	Non-Executive Director *	9 March 2011	
Danjuma Aliyu	Director of Subsidiary	19 April 2011	
Brett Young	Chief Operating Officer		12 August 2011
Brett Young	Non-Executive Director	12 August 2011	1 May 2012
Brett Young	Company Secretary		14 September 2011
Benjamin Bell	Chief Executive Officer	8 November 2011	22 January 2012
Benjamin Bell	Managing Director	23 January 2012	
Sally Grice	Financial Officer	21 June 2011	
Sally Grice	Company Secretary	8 August 2011	

* Dominic Marinelli was acting as an Executive Director between 12 August 2011 and 30 November 2011.

11.3 Directors' and executive officers' remuneration

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

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

Directors		SHORT TERM		POST EMPLOYMENT			SHARE-BASED PAYMENTS		TOTAL	Proportion of remuneration based %	Value of Options as a proportion of Remuneration %
		Non-Exec Directors' Fees	Executive Salaries (A)	Super-annuation Contribution	Termination and Retirement Benefits	Other Long-Term Benefits (B)	Options Issued (C)	Insurance Premiums			
		\$	\$	\$	\$	\$	\$	\$			
Non-executive											
Mr M Ramsden	2012	82,450	-	7,420	-	-	17,622	1,599	109,091	16	16
	2011	28,667	-	2,580	-	-	-	686	31,933	-	-
Mr M Elias	2012	52,729	-	2,270	-	-	27,496	1,599	84,194	33	33
	2011	41,250	-	-	-	-	25,238	2,057	68,545	37	37
Mr D Marinelli	2012	30,544	54,452	7,650	-	-	17,622	1,599	111,867	16	16
	2011	18,333	-	1,650	-	-	-	686	20,669	-	-
Mr N Warburton	2012	55,000	-	-	-	-	30,922	1,599	87,521	35	35
	2011	56,750	-	-	-	-	33,650	2,057	92,457	36	36
Executive											
Mr B Bell	2012	-	207,966	17,481	-	-	44,355	1,067	270,869	16	16
Mr B Young	2012	32,083	33,353	4,414	-	(1,386)	(5,850)	1,467	49,030	-	-
	2011	-	227,166	18,450	-	29,386	50,475	2,057	327,534	15	15
Total compensation: Directors	2012	252,806	295,771	39,235	-	(1,386)	132,267	8,930	727,623	18	18
	2011	145,000	227,166	22,680	-	29,386	109,363	7,543	541,138	20	20
Executive Officers											
Mr D Aliyu	2012	26,667	72,000	-	-	-	21,631	-	120,298	18	18
	2011	-	32,333	-	-	-	-	-	32,333	-	-
Ms S Grice	2012	-	55,725	5,015	-	-	-	-	60,740	-	-
	2011	-	1,200	108	-	-	-	-	1,308	-	-
Mr E Poole	2011	-	94,817	9,270	-	-	-	1,371	105,458	-	-
Total compensation Executive Officers	2012	26,667	127,725	5,015	-	-	21,631	-	181,038	12	12
	2011	-	128,350	9,378	-	-	-	1,371	139,099	-	-

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

11. REMUNERATION REPORT (cont.)

11.3 Directors' and executive officers' remuneration (cont.)

- (A) Salaries include movements in the provisions for annual leave and sick leave.
- (B) Other long term benefits include movement in the long service leave provision.
- (C) The estimated options value disclosed above is calculated at the date of grant using a Black-Scholes model.

11.4 Terms of equity settled share based payment transactions

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

Specified Directors	Granted as remuneration	Grant Date	Date Vests	No. vested in year	% vested in year	% forfeited in year	Exercise Price (\$)	Expiry Date
N Warburton	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	-	-	-	0.035	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	-	-	-	0.045	30 Nov 2014
M Elias	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	-	-	-	0.035	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	-	-	-	0.045	30 Nov 2014
M Ramsden	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	-	-	-	0.035	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	-	-	-	0.045	30 Nov 2014
D Marinelli	2,266,666	29 Nov 2011	31 Dec 2011	2,266,666	100%	-	0.027	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2012	-	-	-	0.035	30 Nov 2014
	2,266,667	29 Nov 2011	31 Dec 2013	-	-	-	0.045	30 Nov 2014
B Bell	4,533,334	29 Nov 2011	8 Feb 2012	4,533,334	100%	-	0.020	30 Nov 2014
	4,533,333	29 Nov 2011	31 Dec 2012	-	-	-	0.025	30 Nov 2014
	4,533,333	29 Nov 2011	31 Dec 2013	-	-	-	0.030	30 Nov 2014
Specified Executives								
D Aliyu	2,266,666	14 Dec 2011	31 Dec 2011	2,266,666	100%	-	0.027	30 Nov 2014
	2,266,667	14 Dec 2011	31 Dec 2012	-	-	-	0.035	30 Nov 2014
	2,266,667	14 Dec 2011	31 Dec 2013	-	-	-	0.045	30 Nov 2014

11.5 Equity Instruments and Exercise of Options granted as compensation

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

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

	Options Held at 1 July 2011	Granted as remuneration	Grant Date	Expired	Relinquished	Forfeited	Held at 30 June 2012	Vested at 30 June 2012	Financial Year to vest	Fair value of at grant date	Exercise Price	Expiry Date
Specified directors												
N Warburton	50,000	-	29 Nov 2006	-	50,000	-	-	-	-	\$0.430	\$1.50	31 Dec 2011
N Warburton	50,000	-	29 Nov 2006	-	50,000	-	-	-	-	\$0.354	\$2.00	31 Dec 2011
N Warburton	50,000	-	29 Nov 2006	-	50,000	-	-	-	-	\$0.328	\$2.50	31 Dec 2011
N Warburton	1,000,000	-	27 Nov 2009	-	1,000,000	-	-	-	-	\$0.0184	\$0.06	31 Dec 2014
N Warburton	1,000,000	-	27 Nov 2009	-	1,000,000	-	-	-	-	\$0.0164	\$0.08	31 Dec 2014
N Warburton	1,000,000	-	27 Nov 2009	-	1,000,000	-	-	-	-	\$0.0150	\$0.10	31 Dec 2014
N Warburton	1,000,000	-	27 Nov 2009	-	1,000,000	-	-	-	-	\$0.0138	\$0.12	31 Dec 2014
N Warburton	-	2,266,666	29 Nov 2011	-	-	-	2,266,666	2,266,666	2012	\$0.004779	\$0.027	30 Nov 2014
N Warburton	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2013	\$0.003920	\$0.035	30 Nov 2014
N Warburton	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2014	\$0.003159	\$0.045	30 Nov 2014
M Elias	37,500	-	29 Nov 2006	-	37,500	-	-	-	-	\$0.430	\$1.50	31 Dec 2011
M Elias	37,500	-	29 Nov 2006	-	37,500	-	-	-	-	\$0.354	\$2.00	31 Dec 2011
M Elias	37,500	-	29 Nov 2006	-	37,500	-	-	-	-	\$0.328	\$2.50	31 Dec 2011
M Elias	750,000	-	27 Nov 2009	-	750,000	-	-	-	-	\$0.0184	\$0.06	31 Dec 2014
M Elias	750,000	-	27 Nov 2009	-	750,000	-	-	-	-	\$0.0164	\$0.08	31 Dec 2014
M Elias	750,000	-	27 Nov 2009	-	750,000	-	-	-	-	\$0.0150	\$0.10	31 Dec 2014
M Elias	750,000	-	27 Nov 2009	-	750,000	-	-	-	-	\$0.0138	\$0.12	31 Dec 2014
M Elias	-	2,266,666	29 Nov 2011	-	-	-	2,266,666	2,266,666	2012	\$0.004779	\$0.027	30 Nov 2014
M Elias	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2013	\$0.003920	\$0.035	30 Nov 2014
M Elias	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2014	\$0.003159	\$0.045	30 Nov 2014
B Young	75,000	-	29 Nov 2006	75,000	-	-	-	-	-	\$0.448	\$1.00	31 Dec 2011
B Young	75,000	-	29 Nov 2006	75,000	-	-	-	-	-	\$0.430	\$1.50	31 Dec 2011
B Young	75,000	-	29 Nov 2006	75,000	-	-	-	-	-	\$0.354	\$2.00	31 Dec 2011
B Young	75,000	-	29 Nov 2006	75,000	-	-	-	-	-	\$0.328	\$2.50	31 Dec 2011
B Young	1,500,000	-	27 Nov 2009	-	-	1,500,000	-	-	-	\$0.0184	\$0.06	31 Dec 2014
B Young	1,500,000	-	27 Nov 2009	-	-	1,500,000	-	-	-	\$0.0164	\$0.08	31 Dec 2014
B Young	1,500,000	-	27 Nov 2009	-	-	1,500,000	-	-	-	\$0.0150	\$0.10	31 Dec 2014
B Young	1,500,000	-	27 Nov 2009	-	-	1,500,000	-	-	-	\$0.0138	\$0.12	31 Dec 2014
M Ramsden	-	2,266,666	29 Nov 2011	-	-	-	2,266,666	2,266,666	2012	\$0.004779	\$0.027	30 Nov 2014
M Ramsden	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2013	\$0.003920	\$0.035	30 Nov 2014
M Ramsden	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2014	\$0.003159	\$0.045	30 Nov 2014
D Marinelli	-	2,266,666	29 Nov 2011	-	-	-	2,266,666	2,266,666	2012	\$0.004779	\$0.027	30 Nov 2014
D Marinelli	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2013	\$0.003920	\$0.035	30 Nov 2014
D Marinelli	-	2,266,667	29 Nov 2011	-	-	-	2,266,667	-	2014	\$0.003159	\$0.045	30 Nov 2014
B Bell	-	4,533,334	29 Nov 2011	-	-	-	4,533,334	4,533,334	2012	\$0.005832	\$0.020	30 Nov 2014
B Bell	-	4,533,333	29 Nov 2011	-	-	-	4,533,333	-	2013	\$0.005042	\$0.025	30 Nov 2014
B Bell	-	4,533,333	29 Nov 2011	-	-	-	4,533,333	-	2014	\$0.004419	\$0.030	30 Nov 2014
Specified executives												
D Aliyu	-	2,266,666	14 Dec 2011	-	-	-	2,266,666	2,266,666	2012	\$0.005929	\$0.027	30 Nov 2014
D Aliyu	-	2,266,667	14 Dec 2011	-	-	-	2,266,667	-	2013	\$0.004911	\$0.035	30 Nov 2014
D Aliyu	-	2,266,667	14 Dec 2011	-	-	-	2,266,667	-	2014	\$0.003996	\$0.045	30 Nov 2014

During the reporting period there were no shares issued on the exercise of options previously granted as remuneration.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. CORPORATE GOVERNANCE

The Consolidated Group's corporate governance policies and practices are set out in pages 64 to 72.

13. ENVIRONMENTAL REGULATIONS

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

14. FINANCIAL REPORTING

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

15. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

The Company has paid insurance premiums during the year of \$8,930 (2011: \$8,914) in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

16. NON-AUDIT SERVICES

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

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

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

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 17 and forms part of this Directors' Report for the year ended 30 June 2012.

18. ROUNDING OFF

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

This report is made with a resolution of the Directors.



Benjamin Bell
Managing Director
Dated: 26 September 2012



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

To: the directors of Australian Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial 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.

KPMG

KPMG

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

David Sinclair
Partner

Perth

26 September 2012

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	2012 \$000	2011 \$000
Profit on sale of tenements	15	1,703	24
Other income	4	56	24
Impairment of exploration	5	(3,118)	(2,028)
Depreciation and amortisation	5	(32)	(21)
Corporate overheads and indirect expenses		(1,580)	(1,192)
Results from operating activities		(2,971)	(3,196)
Finance income	8	175	46
Finance costs	8	(1)	76
Net finance income		174	122
Loss before income tax		(2,797)	(3,095)
Income tax	9	-	-
Loss for the year attributable to equity holders of the Company		(2,797)	(3,095)
Other comprehensive (loss)/income	22	(20)	52
Total comprehensive loss for the period		(2,817)	(3,043)
Basic loss per share (cents)	10	(0.440)	(0.731)
Diluted loss per share (cents)	10	(0.440)	(0.731)

The Consolidated Statement of Comprehensive Income is to be read
in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

Notes	Issued Capital \$000	Accumulated Losses \$000	Share Capital Reserve \$000	Share Option Reserve \$000	Share Based Payment Reserve \$000	Foreign Exchange Reserve \$000	Total Equity \$000
Contributions by and distribution to members							
Opening balance at 1 July 2010	26,479	(16,139)	-	169	882	-	11,391
Total comprehensive income for the period:							
(Loss)	-	(3,095)	-	-	-	-	(3,095)
Other comprehensive income	-	-	-	-	-	52	52
Total comprehensive income/(loss) for the period	-	(3,095)	-	-	-	52	(3,043)
Transactions with owners, recorded directly in equity							
Share based payment transactions	-	-	-	-	110	-	110
Recognition of Tranche 3 Shares	-	-	30	-	-	-	30
Shares issued during the year	5,240	-	-	-	-	-	5,240
Transaction costs from issue of shares	(45)	-	-	-	-	-	(45)
Total transactions with owners, recorded directly in equity	5,195	-	-	-	-	-	-
Closing balance at 30 June 2011	31,674	(19,234)	30	169	992	52	13,683

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

Notes	Issued Capital \$000	Accumulated Losses \$000	Share Capital Reserve \$000	Share Option Reserve \$000	Share Based Payment Reserve \$000	Foreign Exchange Reserve \$000	Total Equity \$000
Contributions by and distribution to members							
Opening balance at 1 July 2011	31,674	(19,234)	30	169	992	52	13,683
Total comprehensive income for the period:							
(Loss)	-	(2,797)	-	-	-	-	(2,797)
Other comprehensive loss	-	-	-	-	-	(20)	(20)
Total comprehensive loss for the period	-	(2,797)	-	-	-	(20)	(2,817)
Transactions with owners, recorded directly in equity							
Share based payment transactions	-	-	-	-	155	-	155
Shares issued during the year	1,454	-	-	-	-	-	1,454
Transaction costs from issue of shares	(4)	-	-	-	-	-	(4)
Total transactions with owners, recorded directly in equity	1,450	-	-	-	155	-	1,605
Closing balance at 30 June 2012	33,124	(22,031)	30	169	1,147	32	12,471

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

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

	Notes	2012 \$000	2011 \$000
CURRENT ASSETS			
Cash and cash equivalents	12	3,197	816
Trade and other receivables	14	2,343	72
Assets classified as held for sale	15	975	9,207
TOTAL CURRENT ASSETS		6,515	10,095
NON-CURRENT ASSETS			
Exploration and evaluation assets	16	6,551	4,706
Property, plant and equipment	17	122	74
TOTAL NON-CURRENT ASSETS		6,673	4,780
TOTAL ASSETS		13,188	14,875
CURRENT LIABILITIES			
Trade and other payables	18	426	846
Interest bearing liabilities	19	-	4
Employee benefits	20	16	67
Liabilities classified as held for sale	15	275	275
TOTAL CURRENT LIABILITIES		717	1,192
TOTAL LIABILITIES		717	1,192
NET ASSETS		12,471	13,683
EQUITY			
Contributed equity	22	33,124	31,674
Reserves	22	1,378	1,243
Accumulated losses	23	(22,031)	(19,234)
TOTAL EQUITY		12,471	13,683

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

AUSTRALIAN MINES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Notes	2012 \$000	2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		-	-
Cash payments to suppliers and employees		(1,335)	(1,091)
Interest received		64	46
Sundry Income		3	-
Net cash used in operating activities	13	(1,268)	(1,045)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(1,545)	(1,234)
Payments for property, plant and equipment		(83)	(70)
Proceeds from sale of plant and equipment		-	87
Proceeds from sale of assets held for sale		5,500	-
Payment of GST collected on proceeds		(250)	-
Proceeds from sale of investment		53	-
Acquisition of Subsidiaries, net cash acquired		-	395
Net cash provided by/(used in) investing activities		3,675	(822)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,100
Share issue costs		(4)	(45)
Finance lease payments		(4)	(4)
Net cash (used in)/provided by financing activities		(8)	1,051
Net increase/(decrease) in cash held		2,399	(816)
Cash at the beginning of the financial year		816	1,578
Effects of exchange rate changes on cash		(18)	54
Cash at the end of the financial year	12	3,197	816

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. REPORTING ENTITY

Australian Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Group') and the Consolidated Group's interest in jointly controlled entities.

The Consolidated Group is a for-profit entity and is primarily involved in the exploration for gold in Nigeria and, until 30 June 2012, in Australia.

The consolidated financial statements were authorised for issue by the directors on 25 September 2012.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Functional and presentation currency

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand, unless otherwise stated.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

(d) Use of judgements and estimates

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2. BASIS OF PREPARATION (cont.)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation.

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

(i) Owned assets

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

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

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

(ii) Leased assets

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

(iii) Subsequent costs

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

(iv) Depreciation

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

	2012	2011
Buildings	33%	33%
Plant & equipment	33%	33%
Leased plant & equipment	25%	25%

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Exploration and evaluation assets

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

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

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

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

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

(e) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Financial instruments (cont.)

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Share capital

Ordinary shares

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

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

(i) Non-financial assets

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) Impairment (cont.)

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

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

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

(h) Employee benefits

(i) Long-term service benefits

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

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

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

(iii) Share-based payment transactions

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

(iv) Defined contribution superannuation funds

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Provisions

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

Mine rehabilitation

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

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

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

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

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

(j) Revenue

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Leases

(i) Operating lease payments

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

(ii) Finance lease payments

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

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

(l) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

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

(m) Income tax

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

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

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

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Income tax (cont.)

Tax consolidation

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

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

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

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Goods and services tax

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

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

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

(o) Accounting estimates and judgments

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

Note 24 contains detailed analysis of the interest rate and liquidity risk of the Consolidated Group.

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

The significant estimates are as follows:

(i) Mine rehabilitation and site restoration provision

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

(ii) Fair Value of Share Based Payment Transactions

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Accounting estimates and judgments (cont.)

The significant judgements are as follows:

(i) Impairment of exploration and evaluation assets.

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

The key issues that are considered in this review include:

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

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

(ii) Fair Value of Financial and Equity Instruments

The fair value of the financial liability in relation to the Tranche 2 shares to be issued as part of the acquisition of the exploration assets in Nigeria Gold Pty Ltd was measured using a binomial formula. Measurement inputs include share price on measurement date, number of shares to be issued in accordance with the achievement of performance milestones as outlined in Note 11 and the probability of achieving those milestones as determined by the Board.

The fair value of the equity instruments in relation to Tranche 3 shares to be issued as part of the acquisition of the exploration assets in Nigeria Gold Pty Ltd is measured using a binomial formula. Measurement inputs include share price on measurement date, number of shares to be issued in accordance with the achievement of the performance milestone as outlined in Note 11, the probability of achieving that milestone as determined by the Board and using the company's cost of capital adjusted for the specific risks related to the transaction.

(p) Segment reporting

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Assets held for sale

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

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

(r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report.

(i) *AASB 119 Employee Benefits* changes the definition of short term and other long term employee benefits and some disclosure requirements. AASB 119 will become mandatory for the Group's 30 June 2013 financial statements. The Group has not yet determined the potential effect of this standard.

(ii) *AASB 12 Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. AASB 119 will become mandatory for the Group's 30 June 2013 financial statements. The Group has not yet determined the potential effect of this standard.

(iii) *AASB 10 Consolidated Financial Statements* requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in AASB 127 Consolidated and Separate Financial Statements and INT 112 Consolidation – Special Purpose Entities. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). This standard will become mandatory for the Group's 30 June 2013 financial statements. The Group has not determined the potential effect of the standard.

(iv) *AASB 9 Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) Determination of fair values

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

(i) Trade and other receivables

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

(ii) Share-based payment transactions

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
4. OTHER INCOME		
Gain on sale of investment	53	-
Gain on sale of fixed assets	-	24
Sundry income	3	-
	56	24
5. OTHER EXPENSES		
Depreciation and amortisation of:		
Plant and equipment	29	18
Plant and equipment leased	3	3
	32	21
Impairment of Exploration:		
Impairment of Exploration	3,118	2,028
<p>The impairment charge was made to the carrying amount of capitalised exploration and represents a reduction in carrying value of the Australian tenements to reflect the sale price achieved after the end of the financial year. (2011: The carrying amount of capitalised exploration costs was impaired due to the continuing lower price of nickel.)</p>		
6. PERSONNEL EXPENSES		
Wages and salaries	387	456
Wages and salaries - exploration	357	-
Non-executive directors fees	253	145
Other associated personnel expenses	9	9
Contributions to superannuation funds	51	44
Increase/(decrease) in long service leave liability	(1)	21
Employee option expenses (note 22)	155	110
	1,211	785

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7. AUDITOR'S REMUNERATION

	2012	2011
	\$	\$
Audit services		
Auditors of the company – KPMG Australia		
- Audit and review of financial reports	46,000	55,000
Total for year	<u>46,000</u>	<u>55,000</u>

8. FINANCE INCOME AND FINANCE COSTS

	2012	2011
	\$000	\$000
Interest income	64	46
Notional interest income adjustment to receivables	111	-
Finance income	<u>175</u>	<u>46</u>
Interest (expense)/reversal	(1)	78
Interest on finance lease	-	(2)
Finance costs	<u>(1)</u>	<u>76</u>
Net finance income	<u>174</u>	<u>122</u>

9. INCOME TAX EXPENSE

Current tax expense/(benefit)

Current year	-	(596)
Adjustment for prior periods	-	-
	<u>-</u>	<u>(596)</u>

Deferred tax expense/(benefit)

Origination and reversal of temporary differences	780	(283)
Recognition of previously unrecognised tax losses	(780)	-
Current year losses for which no deferred tax asset was recognised	-	879
	<u>-</u>	<u>596</u>
Total income tax in income statement	<u>-</u>	<u>-</u>

Numerical reconciliation between tax expense and pre-tax profit

Loss for the period	(2,797)	(3,095)
Income tax benefit using the domestic corporate tax rate of 30% (2011:30%)	(839)	(928)
Increase in income tax expense due to:		
Non-deductible expenses	59	44
Change in unrecognised deductible temporary differences	-	288
Tax losses not brought to account	-	596
Recognition of previously unrecognised tax losses	<u>(780)</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

9. INCOME TAX EXPENSE (cont.)

	2012	2011
	\$000	\$000

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses	4,486	5,266
------------	-------	-------

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Group can utilise the benefits from.

	2012	2011
	\$000	\$000

Recognised deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

Exploration	(690)	(2,800)
Capital raising costs	69	92
Provisions	86	103
Tax losses	535	2,605
Net deferred tax assets	-	-

Movements in temporary differences

Exploration	2,110	323
Property plant and equipment	-	(16)
Capital raising costs	(23)	(30)
Provisions	(17)	6
Total movement in temporary differences	2,070	283

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10. LOSS PER SHARE

	2012	2011
Basic loss per share (cents)	(0.440)	(0.731)

The calculation of basic loss per share at 30 June 2012 was based on the continuing operating loss attributable to ordinary shareholders of \$2,797,000 (2011 loss: \$3,095,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 635,298,975 (2011: 423,546,575), calculated as follows:

Number of ordinary shares	2012	2011
Issued ordinary shares at 1 July	576,910,317	6,981,662,168
Reduction on consolidation of shares	-	(6,632,579,060)
Exercise of options	700	877
Placement	-	47,826,332
Issued for acquisition of subsidiaries	89,999,998	180,000,000
Issued ordinary shares at 30 June	<u>666,911,015</u>	<u>576,910,317</u>
Weighted average number of ordinary shares for year ending 30 June	<u>635,298,975</u>	<u>423,546,575</u>

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2012 was based on loss attributable to ordinary shareholders of \$2,797,000 (2011: \$3,095,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2012 of 635,298,975 (2011: 423,546,575). There were options for a further 107,163,052 (2011: 73,126,252) potential ordinary shares on issue at 30 June 2012, that are not considered dilutive as the Consolidated Group made a loss for the year ended 30 June 2012.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

11. ACQUISITION

On 9 March 2011 the Company acquired the assets of Nigeria Gold Pty Ltd ("NGL") and Mines Geotechniques Limited ("MGL") by way of purchase of 100% of the issued share capital in NGL. The transaction has been treated as an asset acquisition as no business, as defined in AASB 3 *Business Combinations*, was identified within NGL or MGL and the directors intention was to acquire the mining rights to further explore.

The Company entered into a contract to acquire 100% of the issued share capital in NGL. The payment for the acquisition was to be made through the issue of three tranches of shares in the Company as detailed below:

Tranche 1 – issue of 180,000,000 fully paid ordinary Australian Mines shares on 9 March 2011 for 81% of the total NGL issued share capital.

Tranche 2 – issue of 89,999,998 fully paid ordinary Australian Mines shares for the remaining 19% of the issued share capital of NGL, which were issued during the year ended 30 June 2012. The issue of tranche 2 shares was classified as a financial liability at acquisition, in accordance with AASB 132 *Financial Instruments: Presentation*. At 9 March 2011 fair value of this liability was determined using a binomial valuation model and applying the share price as at 9 March 2011 and a probability to each of the performance milestones which affected the number of shares to be issued in tranche 2. In accordance with AASB 139 *Financial Instruments: Recognition and Measurement* the financial liability was remeasured as at 30 June 2011 and the decrease in the value of the liability recorded against the exploration and evaluation asset. Refer Note 18 for liability recorded.

At 30 June 2011 the liability was based on the expected issue of 60,000,000 shares. An Additional 29,999,998 shares were issued in recognition of the additional tenements granted by 31 July 2011.

Tranche 3 – conditional issue of an additional 36,000,000 fully paid ordinary Australian Mines shares if exploration results identify NGL's JORC Indicated Resource of 500,000 ozs of gold within 2 years of acquisition. Tranche 3 is classified as an equity instrument in accordance with AASB 132 as a fixed number of shares will be issued. This has been valued with reference to the price of Australian Mines shares on 9 March 2011, adjusting for an appropriate discount rate taking into account the 2 year delay on payment and the Directors' assessment of the probability of the performance milestone being achieved. Refer Note 22 for impact on share capital reserve.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$000	2011 \$000
12. CASH AND CASH EQUIVALENTS		
Bank balances	2,946	595
Deposits – Restricted security bonds (i)	251	221
Cash and cash equivalents in the statement of cash flows	3,197	816
	3,197	816

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

13. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities:

Net (loss)	(2,797)	(3,095)
------------	---------	---------

Add/(less) items classified as investing/financing activities:

Profit on sale of tenements	(1,703)	(24)
Profit on sale of investment	(53)	-
Notional interest on receivable	(111)	-
Depreciation and amortisation	32	21
Impairment of capitalised exploration	3,118	2,028
Exploration expenditure not capitalised	155	-
Option expense	155	110

Movement in operating assets and liabilities:

Decrease/(increase) in receivables	7	(39)
(Decrease) in payables	(20)	(67)
Increase/(decrease) in employee leave provisions	(51)	21

Net cash used in operating activities	(1,268)	(1,045)
--	---------	---------

14. TRADE AND OTHER RECEIVABLES

Current

Unsecured amount receivable on sale of tenements	2,278	-
Other debtors and prepayments	65	72
	2,343	72

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

15. ASSETS HELD FOR SALE

The Australian mining tenements held by the consolidated entity were reclassified as assets held for sale in the prior year. On 29 July 2011 the Company signed an agreement to sell the Mt Martin goldmine and surrounding tenements for \$7,500,000 cash. Of this, \$5,000,000 has been received, and the remaining \$2,500,000 is due to be received on 28 June 2013. This resulted in a profit on sale of tenements of \$1,703,000 after adjusting for the fair value of the consideration received.

The Group has decided not to sell the Marriott's tenement, and it has been reclassified as an exploration asset.

On 10 July 2012 the Company signed a binding Sale and Purchase Agreement for the sale of the remaining Australian tenements – the Group's Blair Nickel Mine and Golden Ridge Project - to Pioneer Resources Limited for a cash consideration of \$700,000. In addition the sale includes the replacement by Pioneer of performance bonds of \$207,000 and the assumption of the liability for rehabilitation. The provision for rehabilitation is related to these tenements.

An impairment loss of \$3,102,000 has therefore been recognised in the current year, to reduce the carrying value of these remaining assets to fair value.

Assets classified as held for sale –	2012	2011
Exploration expenditure:	\$000	\$000
Opening balance	9,207	-
Assets sold	(5,464)	-
Exploration expenditure incurred	336	-
Reclassified as assets held for sale	(2)	9,207
Impairment of remaining assets	(3,102)	-
Exploration expenditure	<u>975</u>	<u>9,207</u>
Liabilities classified as held for sale -		
Provision for mine rehabilitation	<u>275</u>	<u>275</u>

16. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation

Opening balance	4,706	10,408
Acquisition of tenements (refer note 11)	770	4,579
Expenditure incurred for year	1,089	954
Reclassified as assets held for sale	2	(9,207)
Exploration expenditure Impairment	(16)	(2,028)
Exploration costs carried forward	<u>6,551</u>	<u>4,706</u>

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2012 2011
\$000 \$000

17. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At cost	242	200
Accumulated depreciation	(121)	(130)
	121	70

Plant and equipment leased

At cost	30	30
Accumulated depreciation	(29)	(26)
	1	4

Total property, plant and equipment	122	74
--	-----	----

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

Plant and equipment

Carrying amount at beginning of year	70	13
Additions	83	99
Disposals	-	(24)
Depreciation	(29)	(18)
Foreign currency exchange differences	(3)	-
Carrying amount at the end of Year	121	70

Plant and equipment leased

Carrying amount at beginning of year	4	46
Disposals	-	(39)
Amortisation	(3)	(3)
Carrying amount at end of year	1	4
Total property, plant and equipment	122	74

18. TRADE AND OTHER PAYABLES

Current (unsecured)

Trade creditors and accruals	401	127
Balance payable for purchase of subsidiaries (Tranche 2 shares – refer note 11)	-	684
Other creditors and accruals	25	35
	426	846

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$000	\$000
19. INTEREST-BEARING LIABILITIES		
Current liabilities		
Lease liabilities	-	4
	-	4
	-	4

Finance lease liabilities are secured over the leased asset and are payable as follows:

	Minimum lease payments 2012 \$000	Interest 2012 \$000	Principal 2012 \$000	Minimum lease payments 2011 \$000	Interest 2011 \$000	Principal 2011 \$000
Less than one year	-	-	-	4	-	4
Between one and five years	-	-	-	-	-	-
	-	-	-	4	-	4
	-	-	-	4	-	4

	2012	2011
	\$000	\$000
20. EMPLOYEE BENEFITS		
Current		
Liability for annual leave	16	26
Liability for sick leave	-	12
Liability for long service leave	-	29
	16	67
	16	67

Share based payments

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

20. EMPLOYEE BENEFITS (cont.)

Share based payments (cont.)

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

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

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

There is presently no stated policy restricting Directors or Executives from limiting their exposure to risk in relation to options granted.

Due to the consolidation of capital in November 2010, the numbers of options on issue were divided by 20 in the prior year, and the exercise price was increased by a multiple of 20. Other than this, no options terms have been altered or modified during the year or the prior year.

As a result of the plan, there are currently 47,600,000 (2011: 13,562,000) unissued shares of the Company under option. The fair value of the options is estimated at the date of grant using the Black-Scholes model. There were 47,600,000 options issued under the plan during the year 30 June 2012.

The options outstanding as at 30 June 2012 have an exercise price in the range of \$0.020 to \$0.045 (2011: \$0.06 to \$2.50) and a weighted average remaining contractual life of 2.42 years (2011: 3.38 years).

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

Grant Date	Vesting Date	Number Granted	On Issue at 30 June 2012	Exercisable at 30 June 2012	Exercise Price	Fair Value	Expiry Date
29 Nov 2011	8 Feb 2012	4,533,334	4,533,334	4,533,334	2.0c	5.83c	30 Nov 2014
29 Nov 2011	31 Dec 2012	4,533,333	4,533,333	-	2.5c	5.04c	30 Nov 2014
29 Nov 2011	31 Dec 2013	4,533,333	4,533,333	-	3.0c	4.42c	30 Nov 2014
29 Nov 2011	31 Dec 2011	9,066,664	9,066,664	9,066,664	2.7c	4.78c	30 Nov 2014
29 Nov 2011	31 Dec 2012	9,066,668	9,066,668	-	3.5c	3.92c	30 Nov 2014
29 Nov 2011	31 Dec 2013	9,066,668	9,066,668	-	4.5c	3.16c	30 Nov 2014
14 Dec 2011	31 Dec 2011	2,266,666	2,266,666	2,266,666	2.7c	5.93c	30 Nov 2014
14 Dec 2011	31 Dec 2012	2,266,667	2,266,667	-	3.5c	4.91c	30 Nov 2014
14 Dec 2011	31 Dec 2013	2,266,667	2,266,667	-	4.5c	4.00c	30 Nov 2014
		47,600,000	47,600,000	15,866,664			

The key inputs into determining the fair value at grant date of the options above are set out in Note 22.

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

20. EMPLOYEE BENEFITS (cont.)

Share based payments (cont.)

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

	Exercise price 2012	Number of options 2012	Exercise price 2011	Number of options 2011
Outstanding at 1 July	16.37c	13,562,500	0.84c	272,000,000
Consolidation of 20:1				<u>(258,400,000)</u>
			16.74c	13,600,000
Granted during the year	3.26c	47,600,000		-
Cancelled during the year	15.90c	(7,262,500)		-
Forfeited during the year	16.90c	<u>(6,300,000)</u>	\$1.50	<u>(37,500)</u>
Outstanding at 30 June	3.26c	<u>47,600,000</u>	16.37c	<u>13,562,500</u>
Exercisable at 30 June	2.50c	15,866,664	21.31c	7,062,500

No employee share options were exercised during the year (2011: nil).

	2012 \$000	2011 \$000
21. PROVISIONS		
Non current		
Mine rehabilitation:		
Opening balance	-	275
Reclassified as liability held for sale	-	<u>(275)</u>
Closing balance	<u>-</u>	<u>-</u>
22. CAPITAL AND RESERVES		
Issued and paid up capital		
666,911,015 (2011: 576,910,317) ordinary shares, fully paid	<u>33,124</u>	<u>31,674</u>
Reconciliation of contributed equity		
Balance at beginning of year	31,674	26,479
Shares issued during the year:		
Placement of 47,826,332 shares at 2.3 cents	-	1,100
Issue of 180,000,000 shares to purchase subsidiaries (Tranche 1 shares – refer note 11)	-	4,140
Issue of 89,999,998 shares to purchase subsidiaries (Tranche 2 shares – refer note 11)	1,454	-
700 Options (2011: 877) exercised at 4.0 cents	-	-
Costs of capital raising	<u>(4)</u>	<u>(45)</u>
Balance at end of year	<u>33,124</u>	<u>31,674</u>

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	<u>2012</u>	<u>2011</u>
	<u>\$000</u>	<u>\$000</u>
22. CAPITAL AND RESERVES (cont.)		
Foreign Exchange Reserve		
Balance at beginning of year	52	-
Effect of exchange rate changes on balance sheet	(20)	52
Balance at end of year	<u>32</u>	<u>52</u>
Share Capital Reserve		
Balance at beginning of year	30	-
Recognition of Tranche 3 shares – refer note 11	-	30
Balance at end of year	<u>30</u>	<u>30</u>
Share Option Reserve		
Balance at beginning of year	169	169
Options issued to shareholders	-	-
Balance at end of year	<u>169</u>	<u>169</u>
Share Based Payments Reserve		
Balance at beginning of year	992	882
Share based payment employees/directors transactions	155	110
Balance at end of year	<u>1,147</u>	<u>992</u>
Total Reserves	<u><u>1,378</u></u>	<u><u>1,243</u></u>

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

The Share Capital Reserve represents the contingent cost of shares which may be issued for the acquisition of Nigeria Gold Pty Ltd – refer Note 11.

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

The Share Based Payment Reserve represents the fair value of share options granted. The estimate of fair value of the services received is based on the Black-Scholes model. The calculated fair value is based on parameters as set out in Section 11 in the Directors' Report.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22. CAPITAL AND RESERVES (cont.)

	2012	2011
Listed Options		
Options at 1 July	59,563,752	1,191,288,839
Reduction on consolidation of capital		(1,131,724,210)
		<u>59,564,629</u>
Options converted	(700)	(877)
Closing balance at 30 June	<u>59,563,052</u>	<u>59,563,752</u>

The fair value of options issued to the shareholders was \$0.012 per option. This valuation was based on the Black Scholes options pricing model using the share price of \$0.02, exercise price of \$0.04, risk free rate of 4.61%, volatility of 100% and the issue date of 11 August 2009.

Unlisted Options

During the year there were 47,600,000 unlisted options issued to executives of the Company under the Employees Option Plan (see note 20).

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

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

	2012 \$000	2011 \$000
23. ACCUMULATED LOSSES		
Balance at beginning of period	(19,234)	(16,139)
Net (loss) for the year	<u>(2,797)</u>	<u>(3,095)</u>
Accumulated losses at end of period	<u>(22,031)</u>	<u>(19,234)</u>

24. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

24. FINANCIAL RISK MANAGEMENT (cont.)

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

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

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

(a) Interest rate risk

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

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

	Weighted average interest rate	6 months or less \$'000	6 – 12 months \$'000	1 to 5 years \$'000	Non- interest bearing \$'000	Total \$'000
2012						
<i>Financial assets</i>						
Cash and cash equivalents	4.26% (variable)	3,197	-	-	-	3,197
Trade and other receivables		-	-	-	2,343	2,343
		3,197	-	-	2,343	5,540
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	426	426
		-	-	-	426	426
2011						
<i>Financial assets</i>						
Cash and cash equivalents	4.70% (variable)	816	-	-	-	816
Trade and other receivables		-	-	-	72	72
		816	-	-	72	888
<i>Financial liabilities</i>						
Trade and other payables		-	-	-	846	846
Lease liabilities (current)	12.19% (fixed)	2	2	-	-	4
		2	2	-	846	850

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

24. FINANCIAL RISK MANAGEMENT (cont.)

Sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have resulted in the following impact on annual profits, assuming the amounts of variable rate instruments at 30 June were constant throughout the preceding year:

	2012	2011
	\$000	\$000
Net financial assets subject to variable interest rates	3,197	816
Decrease in loss resulting from a 1%pa increase in variable interest rates	32	8
(Increase) in loss resulting from a 1%pa decrease in variable interest rates	(32)	(8)

(b) Liquidity risk

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

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

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
2012					
Trade and other payables	426	426	426	-	-
	426	426	426	-	-
2011					
Trade and other payables	846	846	846	-	-
Lease liabilities	4	4	2	2	-
	850	850	848	2	-

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

24. FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's cash held at banks. The Consolidated Group lodges its cash deposits with international banks of good standing. The unsecured receivable is due to be paid on 28 June 2013 by HBJ Minerals Pty Ltd, a wholly-owned subsidiary of Alacer Gold Corp. (TSX: ASR, ASX: AQG).

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

	Carrying Amount 2012 \$000	Carrying Amount 2011 \$000
Cash at bank	3,197	816
Unsecured receivable	2,278	-
Debtors and prepayments	65	72
	<u>5,540</u>	<u>888</u>

(d) Currency risk

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

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

	2012		2011	
	AUD \$000	Naira N000	AUD \$000	Naira N000
Cash at bank	-	5	2	303
Debtors and prepayments	38	6,346	60	9,694
Intercompany loans payable	(1,737)	(286,803)	(607)	(98,694)
Creditors and accruals	(57)	(9,384)	(22)	(3,537)
	<u>(1,756)</u>	<u>(289,836)</u>	<u>(567)</u>	<u>(92,234)</u>

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

24. FINANCIAL RISK MANAGEMENT (cont.)

(d) Currency risk (cont.)

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

	2012		2011	
	Equity \$000	Profit/ (Loss) \$000	Equity \$000	Profit/(Loss) \$000
AUD strengthens by 10%	12	10	-	4
AUD weakens by 10%	(12)	(10)	-	(4)

(e) Capital management

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

(f) Fair values

The fair values of significant financial assets and liabilities equate to the carrying amounts shown in the balance sheet.

25. COMMITMENTS

	2012 \$000	2011 \$000
Lease of offices		
Within one year	4	-
Exploration expenditure commitment		
Within one year	583	1,202

In order to maintain current rights of tenure to exploration tenements in Australia, the Consolidated Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial statements and are payable as stated in the table above. The commitments relating to all tenements excluding Marriott's will be payable by Pioneer if they proceed with their purchase of the Group's Blair Nickel and Golden Ridge Projects (refer Note 29).

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

**AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

26. CONTINGENT LIABILITIES

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

27. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
		2012	2011
Parent entity			
Australian Mines Limited	Australia		
Subsidiaries			
Blair Nickel Mine Pty Ltd	Australia	100%	100%
Nigeria Gold Pty Ltd	Australia	100%	100%
Mines Geotechniques Ltd	Nigeria	100%	100%

28. INTEREST IN UNINCORPORATED JOINT VENTURES

The Consolidated Group has a 44% (2011:44%) interest in nickel rights in the Golden Ridge Joint Venture. The amount paid toward the Joint Venture this year was \$108,000 (2011: \$182,000).

29. SUBSEQUENT EVENTS

On 10 July 2012 the Company signed a binding Sale and Purchase Agreement, subsequent to conditions precedent outlined below, for the sale of the Group's Blair Nickel and Golden Ridge Project to Pioneer Resources Limited for a cash consideration of \$700,000. In addition the sale includes the replacement by Pioneer of performance bonds of \$207,000 and the assumption of the liability for rehabilitation, for which the current provision is \$275,000.

The sale is subject to third party consents and statutory and regulatory approvals. The Directors are confident that the conditions will be met and the transaction will be completed within the 2012-2013 financial year.

There were no other material events subsequent to balance date.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

30. SEGMENT INFORMATION

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

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

	Australian Exploration \$000	Nigerian Exploration \$000	Other \$000	Total \$000
For the Year Ended 30 June 2012				
External income	1,706	-	228	1,934
Impairment expense	(3,102)	(16)	-	(3,118)
Segment Profit/(Loss)	(1,396)	(16)	227	(1,185)
Reconciliation of reportable segments:				
- Corporate charges				(1,425)
- Depreciation				(32)
- Share-based payment expenses				(155)
Loss before Income Tax				(2,797)
As at 30 June 2012				
Segment assets	3,255	6,549	3,197	13,001
Reconciliation of reportable segments:				
Unallocated assets:				
- Trade and other receivables				65
- Plant and equipment				122
Total Assets				13,188
Segment asset increases for the period:				
- Tenement expenditure	336	1,089		
Segment liabilities	275	-	-	275
Reconciliation of reportable segments:				
Unallocated liabilities				
- Trade and other payables				426
- Employee Benefits				16
Total Liabilities				717

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

30. SEGMENT INFORMATION (cont.)

	Australian Exploration \$000	Nigerian Exploration \$000	Other \$000	Total \$000
For the Year Ended 30 June 2011				
External Revenue	24	-	46	70
Impairment expense	(2,028)	-	-	(2,028)
Segment Profit/(Loss)	(2,004)	-	122	(1,882)
Reconciliation of reportable segments:				
- Corporate charges				(1,082)
- Depreciation				(21)
- Share-based payment expenses				(110)
Loss before Income Tax				(3,095)
As at 30 June 2011				
Segment assets	9,207	4,706	816	14,729
Reconciliation of reportable segments:				
Unallocated assets:				
- Trade and other receivables				72
- Plant and equipment				74
Total Assets				14,875
Segment asset increases for the period:				
- Tenement expenditure	827	4,706		
Segment liabilities	275	-	688	963
Reconciliation of reportable segments:				
Unallocated liabilities				
- Trade and other payables				162
- Employee Benefits				67
Total Liabilities				1,192

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

31. PARENT ENTITY DISCLOSURES

Australian Mines Limited	2012 \$000	2011 \$000
STATEMENT OF FINANCIAL POSITION		
Current Assets	5,255	514
Non-Current Assets	7,790	13,362
Total Assets	13,045	13,876
Current Liabilities	385	875
Non-Current Liabilities	-	-
Total Liabilities	385	875
Net Assets	12,660	13,001
EQUITY		
Contributed equity	33,124	31,674
Share option reserves	1,346	1,191
Accumulated losses	(21,810)	(19,862)
TOTAL EQUITY	12,660	13,001
STATEMENT OF COMPREHENSIVE INCOME		
Other income	(220)	711
Depreciation	(8)	(16)
Impairment of exploration	-	(527)
Impairment of loans to subsidiaries	(593)	(527)
Corporate overheads and indirect expenses	(1,297)	(979)
Results from operating activities	(2,118)	(811)
Net financing income/(costs)	170	40
Profit loss before income tax	(1,948)	(771)
Income Tax	-	-
Profit/Loss attributable to equity holders of the Company	(1,948)	(771)
Other comprehensive income	-	-
Total Comprehensive Income	(1,948)	(771)
COMMITMENTS		
Lease of offices		
Within one year	4	-
Exploration expenditure commitment		
Within one year	10	11

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

31. PARENT ENTITY DISCLOSURES (cont.)

CONTINGENT LIABILITIES

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

32. RELATED PARTIES

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

Non Executive Directors

Mr M Ramsden - Chairman

Mr M Elias

Mr D Marinelli – Executive Director between 12 August 2011 and 8 November 2011

Mr N F Warburton

Executive Directors

Mr B Bell – Managing Director from 23 January 2012

Mr M B Young – Non-executive Director after 12 August 2011 until 1 May 2012

Executives

Mr B Bell – Chief Executive Officer from 8 November until 23 January 2012

Mr D Aliyu – Nigerian Manager

Ms S Grice - Company Secretary from 8 August 2011

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

32. RELATED PARTIES (cont.)

The key management personnel compensation included in 'personnel expenses' (see Note 6) is as follows:

	2012	2011
	\$000	\$000
Short-term employee benefits	703	500
Post-employment benefits	44	32
Long term benefits	(1)	29
Share based payments	155	109
	<u>901</u>	<u>670</u>

Individual directors and executives compensation disclosures

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

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

Options and rights over equity instruments

The movement in options over ordinary shares held directly, indirectly or beneficially by each key management person is as follows:

	Held at 1 July 2011	Granted as Remuneration	Relinqu- ished	Forfeited at Resignation	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors							
N Warburton	4,542,784	6,800,000	(4,150,000)	-	7,192,784	2,266,666	2,659,450
M Elias	3,161,391	6,800,000	(3,112,500)	-	6,848,891	2,266,666	2,315,557
B Young	6,300,000	-	-	(6,300,000)	-	-	-
B Bell	-	13,600,000	-	-	13,600,000	4,533,334	4,533,334
M Ramsden	-	6,800,000	-	-	6,800,000	2,266,666	2,266,666
D Marinelli	-	6,800,000	-	-	6,800,000	2,266,666	2,266,666
Executives							
D Aliyu	-	6,800,000	-	-	6,800,000	2,266,666	2,266,666

No options were exercised during the year.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

32. RELATED PARTIES (cont.)

Options and rights over equity instruments (cont.)

	Held at 1 July 2010	Reduction on Consolidation of Capital	Exercised	Forfeited at Resignation	Held at 30 June 2011	Vested during the year	Exercisable at 30 June 2011
Directors							
N Warburton	83,000,000	(78,850,000)	-	-	4,150,000	1,000,000	1,150,000
M Elias	62,250,000	(59,137,500)	-	-	3,112,500	750,000	1,612,500
B Young	126,000,000	(119,700,000)	-	-	6,300,000	1,500,000	3,300,000
Executives							
E Poole	750,000	(712,500)	-	(37,500)	-	-	-

No options were granted during the year ended 30 June 2011.

Movement in shares

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

	Held at 1 July 2011	Purchases	Sales	Held at resignation	Held at 30 June 2012
Directors					
M Ramsden (i)	13,682,776	6,841,380	-	-	20,524,156
B Bell (ii)	-	650,000	-	-	650,000
N Warburton (iii)	4,116,564	-	-	-	4,116,564
M Elias (iv)	1,050,316	949,684	-	-	2,000,000
D Marinelli (v)	15,132,381	7,566,192	-	-	22,698,573
B Young (vi)	7,035,014	-	-	7,035,014	-
Executives					
D Aliyu	19,953,827	9,976,895	-	-	29,930,722
S Grice	1,050,000	1,000,000	-	-	2,050,000

- (i) Mr M Ramsden has a relevant interest in the following shares – 2,533,803 shares held by Pacrim Investment Consultants Pty Ltd <Pacrim Superannuation Fund>, 2,898,055 shares held by Pacrim Investment Consultants Pty Ltd <Super Fund A/C>, 6,589,020 held by Terrain Capital Limited, and 8,503,278 shares owned by Whitehaven Investments Pty Ltd <Ramsden Family Trust>. (Whitehaven Investments Pty Ltd also holds 248,175 shares in trust for an unrelated party, and Terrain Capital Limited also holds 124,087 shares in trust for an unrelated party).
- (ii) Mr B Bell has a relevant interest in 650,000 shares owned by B & R Bell <Kestrel Investment Fund>.
- (iii) Mr N Warburton has a relevant interest in the following shares – 1,946,563 shares held by Michlange Pty Ltd <Warburton Family Trust> and 2,170,001 held by Michlange Pty Ltd <Warburton Super Fund>.
- (iv) Mr M Elias has a relevant interest in 2,000,000 shares held by M & C Elias <Elias Super Fund>.
- (v) Mr D Marinelli has a relevant interest in the following shares – 6,589,022 shares held by Dominic Marinelli and Vicki Marinelli <Monte Amaro Super Fund>, and 16,109,551 shares held by Dominic Orlando Marinelli <The Monte Acquaviva Trust>. (Dominic Marinelli <The Monte Acquaviva Trust> holds another 31,022 shares in trust for an unrelated party.)
- (vi) 3,204,218 shares are held in the name of the B Young Superannuation Fund and 3,830,796 shares are owned by Costo Pty Ltd as trustee for the M B Young Family Trust.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

32. RELATED PARTIES (cont.)

Movement in shares (cont.)

	Held at 1 July 2010	Reduction on Consolidation of Capital	Purchases	Sales	Held at resignation	Held at 30 June 2011
Directors						
M Ramsden	-	-	13,682,776	-	-	13,682,776
N Warburton	82,331,258	(78,214,694)	-	-	-	4,116,564
M Elias	16,806,310	(15,965,994)	200,000	-	-	1,050,316
D Marinelli	-	-	15,132,381	-	-	15,132,381
B Young	140,700,270	(133,665,256)	-	-	-	7,035,014
Executives						
D Aliyu	-	-	19,953,827	-	-	19,953,827
S Grice	-	-	1,050,000	-	-	1,050,000
E Poole	250,000	(237,500)	-	-	12,500	

Other key management personnel transactions

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

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

Director	Transaction	2012 \$000	2011 \$000
Mr M Elias	Geological Consulting fees (A)	15	67
	Amount owing to CSA Global Pty Ltd at 30 June	-	11
	Amount owing to Mr D. Aliyu at 30 June (B)	-	10

(A) The Group used the geological services of CSA Global Pty Ltd, a company significantly influenced by Mr M Elias. Amounts were billed based on normal market rates for these types of services, and amounts are payable under normal monthly payment terms.

(B) Mr D. Aliyu provided funding to the Nigerian operations as required, and was reimbursed as soon as possible. No interest was payable on this funding.

**AUSTRALIAN MINES LIMITED
DIRECTORS' DECLARATION**

- 1 In the opinion of the Directors of Australian Mines Limited ('the Company'):
 - (a) the consolidated financial statements and notes and the remuneration disclosures contained in the Remuneration report in the Directors' report, as set out in section 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Consolidated Group as at 30 June 2012 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian accounting interpretations) and the Corporations Regulations 2001;
 - (b) the consolidated financial report also complies with International Reporting standards as disclosed in note 2(a)
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

- 2 The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Operating Officer for the financial year ended 30 June 2012.

Dated at Perth the 26th day of September 2012.

Signed in accordance with a resolution of the directors:



Benjamin Bell
Managing Director



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

Report on the financial report

We have audited the accompanying financial report of Australian Mines Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Mines Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

David Sinclair
Partner

Perth

26 September 2012

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

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

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

The Board of Directors and Management.

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

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

The Board of Directors and Management (cont.)

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

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

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

Board Members

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

Mr Ramsden, and his personally-related entities, currently holds 3.08% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

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

Mr Marinelli, and his personally-related entities, currently holds 3.40% of the Company. Although this is not a substantial shareholding, between 12 August 2011 and 23 January 2012 Mr Marinelli became an executive director and thereby in accordance with guidelines adopted by the Board he was not considered independent during that period.

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

Mr Bell was appointed Managing Director on 23 January 2012, and is associated with a current holding of 0.10% of the Company. Thereby in accordance with guidelines adopted by the Board he is not considered independent.

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

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

The Board of Directors and Management (cont.)

Directors' Independence

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

Term of Office

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

Responsibilities of Management

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

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

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

Independent Professional Advice

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

Indemnification and insurance of Directors and Officers

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

Performance assessment

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

Remuneration Committee

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

The names of the members of the Remuneration Committee are Neil Warburton, Michael Ramsden and Dominic Marinelli. Their attendance at Remuneration Committee meetings during the 2011 – 2012 year is set out in the Company's annual report.

During the 2011 – 2012 year the Committee was chaired by Neil Warburton, the non-executive Chairman due to his experience and expertise in the areas in which the Company operates and his non-executive status, the Board considers that he is suitably skilled to perform the role of chair of the Remuneration Committee. The Committee consisted of a majority of independent directors, except while Dominic Marinelli was an Executive Director between 12 August 2011 and 23 January 2012.

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

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

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

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

Audit Committee

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

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

Audit Committee (cont.)

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

External Auditors Policy

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

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

Nomination Committee

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

Risk Assessment and Management

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

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

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

Risk Assessment and Management (cont.)

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

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

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

Environment, Health and Safety

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

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

Code of Conduct

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

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

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

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

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

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

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

Continuous Disclosure and Shareholder Communication

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

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

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

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

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

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

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

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

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2011 – 2012

Diversity Policy

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

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

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

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

Non-Compliance Statement

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

Nomination Committee

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

Board Performance Report

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

Non-Executive Directors should not receive options.

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

AUSTRALIAN MINES LIMITED ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 24 September 2012.

a) Substantial Shareholders

There is no shareholder holding more than 5% of the total number of shares or options.

b) Ordinary Shareholders

Twenty largest holders of ordinary shares.	Number of shares	% held
Danjuma Aliyu	29,930,722	4.488
Inverness Gold SPV Limited	28,312,711	4.245
Forty Traders Limited	23,549,375	3.531
Mr D Marinelli (A)	22,698,573	3.404
Siwel Capital Pty Ltd <The DLW Super Fund A/C>	21,000,000	3.149
Mr M Ramsden (B)	20,524,156	3.077
Jend Pty Ltd	16,235,133	2.434
Mr D P Bowden & Mrs M Castillo	14,217,391	2.132
Deveray Pty Ltd	12,386,789	1.857
Mr J P Leach	11,550,719	1.732
Abdulazeez Salawu	11,167,833	1.675
Mr D R Walker	9,926,965	1.488
Balmerino Pty Ltd	9,910,956	1.486
Mr J Reed	9,500,000	1.424
Mr P J Williams & Mr D L Williams <Peter Williams Super Fund A/C>	9,180,000	1.376
Cazenove Pty Ltd <Cardinal Provident Fund A/C>	7,900,000	1.185
Mr M B Young & Mrs T S Young (C)	7,035,014	1.055
HSBC Custody Nominees (Australia) Limited	7,014,031	1.052
Mr L Bowden	6,521,739	0.978
Mr R Gemelli	6,060,000	0.909

- (A) Mr D Marinelli has a relevant interest in the following shares - 6,589,022 shares held by Dominic Marinelli and Vicki Marinelli as trustees for Monta Amaro Super Fund, and 16,109,551 shares held by Dominic Orlando Marinelli as trustee for The Monte Acquaviva Trust.
- (B) Mr M Ramsden has a relevant interest in the following shares - 2,533,803 shares owned by Pacrim Investment Consultants Pty Ltd <Pacrim Super Fund>, 3,398,055 shares owned by Pacrim Investment Consultants Pty Ltd <Super Fund A/C>, 6,589,020 held by Terrain Capital Limited, and 8,003,278 shares owned by Whitehaven Investments Pty Ltd as trustee for the Ramsden Family Trust. (The Ramsden Family Trust also holds 248,175 shares in trust for an unrelated party, and Terrain Capital holds 124,087 shares in trust for an unrelated party).
- (C) 3,204,218 shares are owned in the name of the B Young Superannuation Fund and 3,830,796 shares are owned by Costo Pty Ltd as trustee for the M B Young Family Trust.

**AUSTRALIAN MINES LIMITED
ADDITIONAL ASX INFORMATION**

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

The total number of shares on issue is 666,911,015 and there is no current on-market buy back.

Distribution of ordinary shareholders at 24 September 2012:

Category of shareholding	Number of shareholders
1 – 1,000	860
1,001 – 5,000	969
5,001 – 10,000	296
10,001 – 100,000	1,768
100,001 and over	591
Total	4,484

c) Quoted Securities

The Company has the following quoted securities on issue:

666,911,015 ordinary shares

59,563,052 listed options expiring 30 June 2013 exercisable at \$0.04 each

d) Unquoted Securities

The Company has the following unquoted securities on issue:

Directors' options expiring 30 November 2014:

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

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

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

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

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

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

Employees' options expiring 30 November 2014:

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

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

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

**AUSTRALIAN MINES LIMITED
TENEMENTS SCHEDULE**

Location	Project	Tenement	Status	Grant Date	Current Interest
NIGERIA					
Katsina	Funtua	EL8988	Granted	29/04/2010	100%
Katsina	Funtua	EL8989	Granted	29/04/2010	100%
Katsina	Funtua	EL8990	Granted	29/04/2010	100%
Zamfara	Kasele	EL9447	Granted	18/05/2011	100%
Zamfara	Kasele	EL9598	Granted	24/09/2010	100%
Niger	Kotongoro	EL9008	Granted	29/04/2010	100%
Niger	Kotongoro	EL9382	Granted	5/07/2010	100%
Niger	Kotongoro	EL9383	Granted	5/07/2010	100%
Zamfara	Maru	EL8589	Granted	29/04/2010	100%
Zamfara	Maru	EL8991	Granted	29/04/2010	100%
Zamfara	Maru	EL8993	Granted	29/04/2010	100%
Zamfara	Maru	EL9451	Granted	18/05/2011	100%
Zamfara	Maru	EL9628	Granted	24/09/2010	100%
Kaduna	Shiroro	EL9010	Granted	29/04/2010	100%
Niger	Shiroro	EL9015	Granted	29/04/2010	100%
Niger	Shiroro	EL9017	Granted	29/04/2010	100%
Niger	Shiroro	EL9018	Granted	29/04/2010	100%
Niger	Shiroro	EL9020	Granted	29/04/2010	100%
Niger	Tegina	EL8585	Granted	29/04/2010	100%
Niger	Tegina	EL8586	Granted	29/04/2010	100%
Niger	Tegina	EL8587	Granted	24/09/2010	100%
Niger	Tegina	EL8591	Granted	29/04/2010	100%
Niger	Tegina	EL8593	Granted	29/04/2010	100%
Niger	Tegina	EL8743	Granted	29/04/2010	100%
Kaduna	Tegina	EL8992	Granted	29/04/2010	100%
Niger	Tegina	EL9009	Granted	29/04/2010	100%
Niger	Tegina	EL9011	Granted	29/04/2010	100%
Niger	Tegina	EL9013	Granted	29/04/2010	100%
Niger	Tegina	EL9014	Granted	5/05/2010	100%
Niger	Tegina	EL9019	Granted	29/04/2010	100%
Niger	Tegina	EL9629	Granted	24/09/2010	100%
Federal Capital	Tsauni	EL1032	Granted	24/05/2007	100%
Zamfara	Yargarma	EL8732	Granted	18/05/2011	100%
Zamfara	Yargarma	EL9449	Granted	15/08/2011	100%

**AUSTRALIAN MINES LIMITED
TENEMENTS SCHEDULE**

Location	Project	Tenement	Status	Grant Date	Current Interest
NIGERIA					
Kebbi	Yauri	EL1033	Granted	24/05/2007	100%
Niger	Yauri	EL1127	Granted	24/05/2007	100%
Niger	Yauri	EL8582	Granted	5/07/2010	100%
Kebbi	Yauri	EL8592	Granted	29/04/2010	100%
Niger	Yauri	EL8726	Granted	24/09/2010	100%
Zamfara	Yauri	EL9016	Granted	29/04/2010	100%
Zamfara	Kasele	EL12173	Application		0%
Zamfara	Kasele	EL12284	Application		0%
Zamfara	Kasele	EL13237	Application		0%
Zamfara	Kasele	EL13251	Application		0%
Zamfara	Kasele	EL13334	Application		0%
Zamfara	Kasele	EL13335	Application		0%
Zamfara	Kasele	EL9448	Application		0%
Zamfara	Kasele	EL9450	Application		0%
Zamfara	Maru	EL13235	Application		0%
Zamfara	Maru	EL13236	Application		0%
Zamfara	Maru	EL8735	Application		0%
Zamfara	Maru	EL8737	Application		0%
Niger	Shiroro	EL13233	Application		0%
Niger	Shiroro	EL13234	Application		0%
Niger	Shiroro	EL13241	Application		0%
Niger	Shiroro	EL13242	Application		0%
Kaduna	Shiroro	EL13246	Application		0%
Niger	Shiroro	EL13250	Application		0%
Niger	Shiroro	EL13325	Application		0%
Niger	Shiroro	EL13326	Application		0%
Niger	Tegina	EL13245	Application		0%
Zamfara	Yargarma	EL11686	Application		0%
Zamfara	Yargarma	EL12174	Application		0%
Zamfara	Yargarma	EL13256	Application		0%
Zamfara	Yargarma	EL13323	Application		0%
Zamfara	Yargarma	EL13333	Application		0%
Zamfara	Yargarma	EL13336	Application		0%
Zamfara	Yargarma	EL8725	Application		0%
Zamfara	Yargarma	EL9452	Application		0%
Zamfara	Yauri	EL13247	Application		0%
Kebbi	Yauri	EL8731	Application		0%

**AUSTRALIAN MINES LIMITED
TENEMENTS SCHEDULE**

Location	Project	Tenement	Status	Grant Date	Current Interest
AUSTRALIA					
Western Australia	Blair Mine	M26/220	Granted	02/05/1988	44%
Western Australia	Golden Ridge	E26/139	Granted	30/11/2010	100%
Western Australia	Golden Ridge	M26/219	Granted	02/05/1988	44%
Western Australia	Golden Ridge	M26/221	Granted	02/05/1988	44%
Western Australia	Golden Ridge	M26/222	Granted	02/05/1988	44%
Western Australia	Golden Ridge	M26/223	Granted	02/05/1988	100%
Western Australia	Golden Ridge	M26/225	Granted	02/05/1988	44%
Western Australia	Golden Ridge	M26/284	Granted	20/10/1989	100%
Western Australia	Golden Ridge	M26/285	Granted	20/10/1989	44%
Western Australia	Golden Ridge	M26/286	Granted	20/10/1989	44%
Western Australia	Golden Ridge	M26/287	Granted	20/10/1989	100%
Western Australia	Golden Ridge	M26/288	Granted	20/10/1989	100%
Western Australia	Golden Ridge	M26/289	Granted	20/10/1989	100%
Western Australia	Golden Ridge	M26/384	Granted	15/10/1991	44%
Western Australia	Marriotts	M37/096	Granted	25/02/1987	100%