



MINING GROUP LIMITED
ABN 73 149 230 811

Annual Report 2011

MINING GROUP LIMITED

ABN 73 149 230 811

Annual Report 2011

Table of Contents

Corporate Directory	1
Chairman's Letter	2
Directors' Report	3
Corporate Governance Statement	14
Auditor's Independence Declaration	21
Statement of Comprehensive Income	22
Statement of Financial Position	23
Statement of Cash Flows	24
Statement of Changes in Equity	25
Notes to Financial Statements	26
Directors' Declaration	44
Independent Auditor's Report	45
Shareholder Information	47
Tenement Schedule	49

Corporate Directory

DIRECTORS

Mr Winton Willesee - Non-Executive Chairman
Mr Andrew Maurice - Managing Director
Ms Shannon Coates - Non-Executive Director

COMPANY SECRETARY

Ms Shannon Coates

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 1, 173 Mounts Bay Road
PERTH, WA 6000

CONTACT DETAILS

Website: www.mininggroup.net.au
Email: admin@mininggroup.net.au

Phone: + 61 (8) 9322 6424
Fax: + 61 (8) 9322 6778

SOLICITORS TO THE COMPANY

Gilbert + Tobin
1202 Hay Street
WEST PERTH WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000
Phone: +61 (8) 9323 2000
Fax: +61 (8) 9323 2033

AUDITORS

Stantons International
1/1 Havelock Street
WEST PERTH WA 6005

STOCK EXCHANGE

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

(ASX: MNE)

Chairman's Letter

Dear Shareholder

On behalf of my fellow Directors, it is with pleasure I present to you Mining Group Limited's first Annual Report for the period since incorporation to 30 June 2011.

Mining Group Limited was listed on the Australian Securities Exchange and commenced trading on 1 July 2011 after successfully raising \$2.5 million from its Initial Public Offer. Since listing to the date of this report, the shares have traded within the range of 20 cents to 25 cents, indicating strong market support by investors.

As you know, the Company was formed with the objective of exploring and evaluating gold, base metals and uranium development opportunities on the tenements listed in the prospectus and also to evaluate complementary merger and acquisition opportunities. I commend you to read the operations review and the subsequent events note to get an overview of the activities during the period.

I believe that we have a board and group of consultants who have the knowledge, breadth of experience and determination to fulfil the objectives of the Company.

The success of Mining Group Limited has been and continues to be a team effort and I take this opportunity to thank my fellow directors, our technical team and our corporate advisors for their efforts and contribution in the forming and subsequent listing of Mining Group Limited. I also take this opportunity to thank our shareholders and investors for their support of the Company.

As Chairman, I am committed to building our shareholder wealth in the Company through the diligent focus on our objectives within a culture of strong corporate governance, integrity and the protection of the interests of our shareholders.

I look forward with enthusiasm to the year ahead and the development of the Company as it fulfils its objectives.



Winton Willesee
Non-Executive Chairman

Directors' Report

Your Directors present their report on Mining Group Limited ("Mining Group" or "the Company") for the period ended 30 June 2011.

DIRECTORS

The names of the Directors in office at any time during or since the end of the period are:

Mr Winton Willesee - Non-Executive Chairman	(Appointed 14 March 2011)
Mr Andrew Maurice - Managing Director	(Appointed 14 March 2011)
Ms Shannon Coates - Non-Executive Director	(Appointed 9 February 2011)

Directors have been in office since the date of their appointment to the date of this report.

COMPANY SECRETARY

Ms Shannon Coates

PRINCIPAL ACTIVITIES

The Company is a minerals exploration and development company.

During the period the Company prepared and finalised a prospectus for listing on the ASX. The Company listed on the ASX on 1 July 2011. The Company also commenced activities exploring for gold and base metals on its newly acquired tenements.

OPERATING RESULTS

The loss of the Company after providing for income tax amounted to \$68,058.

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS

Western Australia

The Company was incorporated on 9 February 2011 with the primary objective of exploring for, discovering and/or acquiring commercially significant mineral deposits that can be accessed via established infrastructure in Australia and overseas. During the period the Company prepared a prospectus for listing on the ASX to raise capital to achieve these objectives and listed on the ASX on 1 July 2011.

The Company will seek to achieve its objectives through:

- exploration and evaluation of the Boorara and Teutonic Projects, which are prospective for gold and base metals, and the Lake Christopher Project, which is prospective for gold, diamonds and uranium; and

Directors' Report

- the identification and evaluation of potential new mineral projects and opportunities in Australia and overseas suitable for acquisition and development by the Company.

Tenements

Boorara Project (earning up to 70%)

The Boorara Project comprises two granted Prospecting Licences, numbered P26/3621 and P26/3622, which cover an area of approximately 206 hectares (2.1km²) in the East Coolgardie Mineral Field of Western Australia, details of which are set out in the table below. The Boorara Project is prospective for gold and base metals.

The Company has entered into a Farm In and Joint Venture Agreement with the registered holder of the Boorara Project, pursuant to which it may earn an initial 70% interest in the tenements on meeting certain conditions.

Boorara Project Tenement Details:

Tenement	Size (Ha)	Grant Date	Expiry Date
P26/3621	99	17/11/2008	16/11/2012 ¹
P26/3622	107	17/11/2008	16/11/2012 ¹
Total	206 Ha		

Notes:

- P26/3621 and P26/3622 may be extended at the discretion of the Minister of Mines for a period of 4 years and, in certain circumstances, by a further period or periods of 4 years.

Since listing, the Company has progressed exploration work on the Boorara Project. As part of this work, the Company has located historical surface soil sampling and drilling data of which the Company was not previously aware. This data highlights the prospectivity of the project for gold mineralisation.

As announced on 26 July 2011, following a recent field visit to the project area, several historical mine workings and RAB drill holes were located which the Company was not previously aware of. A subsequent detailed search within the Department of Mines and Petroleum (DMP) databases has located several reports detailing work done previously over the project area, which includes surface soil sampling and RAB drilling. No production figures or grades have been found during data searches.

A small set of old workings was observed in the northeast of the project area, including two shallow shafts which have exploited a set of boudinaged quartz veins within strongly sheared and intercalated sedimentary and volcanic rocks.

Historic exploration work has been carried out in two phases, the first by Archaean Gold NL during 1994 and the second by Sand Queen Gold Mines Ltd during 1997. Archaean Gold NL collected 136 soil samples over the project area on a 200m x 80m grid and drilled 6 RAB drill holes targeting down dip and along strike of old workings. A best drill intercept of 4m @ 0.24g/t in BWB005 was reported.

Sand Queen Gold Mines Ltd collected a further 89 soil samples on a 400m x 100m grid and 49 rock chip samples. The best result of the rock chip samples was 1.98g/t obtained from a quartz vein exposure in a small excavated pit.

Directors' Report

Both phases of soil sampling identified a zone of gold in soil anomalism over 20 ppb Au along the eastern portion of the project area, approximately 1km in strike length and 100m wide, in close association with the old workings. An anomaly has also been identified in the northwest of the project area which has never been drill tested.

This historic data enhances the prospectivity of the project and the Company intends to further develop its exploration model and conduct further work to follow up historical results. A orientation soil sampling program to determine the optimum soil fraction size for gold and path finder element response will be completed in the near future. Depending on the results from the program, this will be followed by infill soil sampling over prospective zones with an aim to delineate first pass RAB drill targets.

Teutonic Project (earning up to 70%)

The Teutonic Project consists of one granted Exploration Licence, numbered E37/1037, located in the Eastern Goldfields of Western Australia, details of which are set out in the table below. The Teutonic Project is prospective for gold and base metals.

The Company has entered into a Farm In and Joint Venture Agreement with the registered holder of the Teutonic Project, pursuant to which it may earn an initial 70% interest in the tenement on meeting certain conditions.

Teutonic Project Tenement Details:

Tenement	Size (Ha)	Grant Date	Expiry Date
E37/1037	1,613	23/07/2010	22/07/2015

The gold endowment of the Eastern Goldfields is extensive, with Australia's five largest known gold deposits historically producing 13.5Mozs of gold from the region. An anomalous gold trend within the Teutonic Project area is yet to be systematically tested below the weathered zone and the base metal potential of the Project has also yet to be tested using modern exploration techniques, despite the Project being located in an emerging base metals province. Once existing data has been consolidated into a useable database, the Company believes it may be possible to fast track a RAB drill program over new conceptual targets.

Since listing, the Company identified that a detailed multi-client magnetic survey had been flown over the region and that approximately 65% of the Teutonic Project had been covered by the survey. The survey data has now been processed by Resource Potentials Pty Ltd to produce a suite of images suitable for detailed interpretation of geology and structures thought to control the occurrence of both gold and base metal mineralisation throughout the region. A preliminary review of the data indicates that there are a number of discrete magnetic anomalies in the east of the project area, interpreted to be coincident with stratigraphy, which hosts the VMS deposits of Jaguar and Bentley located 30km to the north of the Teutonic Project. No previous exploration has been conducted over this area and the Company believes the eastern portion of the tenement is prospective for VMS mineralisation.

The Company intends to reinterpret the new aeromagnetic data and integrate it with existing RAB and RC drill information to compile a robust exploration model and delineate future drill targets.

Directors' Report

Lake Christopher Project

The Lake Christopher Project is located in Western Australia, 900 kilometres north east of Kalgoorlie on the Gunbarrel Highway and 130 kilometres west of the border between Western Australia and the Northern Territory and is prospective for gold, diamonds and uranium.

A significant radiometric anomaly occurs in the western part of the project area and the Company believes that the strength and extent of the anomaly warrant further investigation to determine the source. The Company has commenced discussions with the traditional owner representatives to negotiate access to the project area.

The Project is made up of a single Exploration Licence application, ELA69/2935, details of which are set out in the table below. Mining Group is the applicant for ELA69/2935.

Lake Christopher Project Tenement Details:

Tenement Application	Size (km ²)	Application Date
ELA69/2935	228	30/03/2011

Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Zeffron Reeves (B App Sc (Hons) (Applied Geology) MBA, MAIG), a consultant to the Company. Mr Reeves has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Reeves consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in state of affairs occurred during the financial period:

25,900,001 shares were issued to raise a total of \$2,428,093 after capital raising costs and 150,000 shares were issued to acquire interests in mining tenements at a deemed value of \$30,000.

FINANCIAL POSITION

As at 30 June 2011, the net assets of the Company are \$2,390,035.

The Directors believe the Company is in a financial position to pursue its current operations.

AFTER BALANCE DATE EVENTS

The Company was admitted to the official list and quoted on the Australian Securities Exchange on 1 July 2011.

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

Directors' Report

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company intends to continue to pursue its goals to acquire, explore, and exploit mineral deposits on its tenements. Concurrently, the Company will continue to seek suitable merger and acquisition opportunities for the Company, both in Australia and overseas, in gold, base metals and other commodities of interest.

ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations at all times.

The National Greenhouse and Energy Reporting Act (NGER) legislation was considered and not determined to be applicable to the entity at current stage.

Directors' Report

INFORMATION ON DIRECTORS

Mr Winton Willesee Non-Executive Chairman

Qualifications: BBus, DipEd, PGDipBus, MCom, FFin, CPA, MAICD, ACIS

Appointed 14 March 2011

Mr Willesee is an experienced Director in the small capitalisation sector of ASX. Mr Willesee brings a broad range of experience in company administration, corporate governance, company public listings, merger and acquisition transactions, reconstructions and corporate finance from his background with listed and unlisted public and other companies.

Mr Willesee has a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma of Applied Corporate Governance, a Diploma in Education and a Bachelor of Business. Mr Willesee is a Fellow of the Financial Services Institute of Australasia, a Member of CPA Australia and a Chartered Secretary.

As well as Mining Group, Mr Willesee is also currently the Chairman of Cove Resources Limited and BioProspect Limited, and a director of Base Resources Limited, Coretrack Limited, Newera Resources Limited and Otis Energy Limited. In the past three years, he has also acted as director to Hawk Resources Limited (now New Standard Energy Limited), Boss Energy Limited (now Boss Resources Limited) and Incitive Limited (now Hawkley Oil and Gas Limited).

Interests in Shares and Options: 150,000 ordinary shares and 500,000 options.

Mr Andrew Maurice Managing Director

Qualifications: BBus, GradCertMgmt, MBA, MAICD

Appointed 14 March 2011

Mr Maurice is an organisational business development professional with 16 years experience working with start up businesses and providing business advice to growing companies in a broad range of industries, including the resource industry. In his most recent role, Mr Maurice was founding Managing Director of Waratah Gold Limited, an ASX listed exploration and mine development company which, under Mr Maurice's management, acquired a world class iron ore project in West Africa. He was Managing Director of Waratah Gold Ltd (now Waratah Resources Limited) from Feb. 2008 until Dec. 2010.

His specialist business advisory skills lie in the areas of business and strategic planning, project management, marketing and human resource management. He has also been involved in the establishment and operation of three successful business development organisations in Western Australia.

Mr Maurice holds a Bachelor's degree in Business, a Graduate Certificate in Management and a Masters of Business Administration from Curtin University of Technology and is a Member of the Australian Institute of Company Directors. He also is a Board member of Curtin University's School of Management and director of the Perth based management consultancy Management West.

Interests in Shares and Options: 200,000 ordinary shares and 500,000 options.

Ms Shannon Coates Non-Executive Director/Company Secretary

Qualifications: LLB, BJuris, CSA

Appointed 9 February 2011

Ms Coates holds a Bachelor of Laws from Murdoch University and has over 17 years experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as Company Secretary to a number of ASX, JSE and AIM listed companies. Ms Coates acted as Non-Executive Director of Vmoto Limited from 20 June 2011 to 1 September 2011. She also acts as Non-Executive Director and/or Company Secretary to a number of unlisted companies. Ms Coates is Legal and Compliance Counsel to Perth based corporate advisory firm Evolution Capital Partners, which specialises in the provision of corporate services to ASX, JSE and AIM listed companies.

Interests in Shares and Options: 343,751 ordinary shares and 500,000 options.

Directors' Report

REMUNERATION REPORT (AUDITED)

The full Board fulfils the roles of Remuneration Committee and is governed by the Company's adopted remuneration policy.

Remuneration Policy

This policy governs the operations of the Remuneration Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board.

Executive Remuneration

The Company's remuneration policy for Executive Directors and senior management is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- a. reward reflects the competitive market in which the Company operates;
- b. individual reward should be linked to performance criteria; and
- c. executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives and other senior managers consists of the following:

- a. salary - executive directors and senior managers receive a sum payable monthly in cash;
- b. bonus - executive directors and nominated senior managers are eligible to participate in a bonus or profit participation plan if deemed appropriate;
- c. long term incentives - executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in exceptional circumstances; and
- d. other benefits - Executive Directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits.

Remuneration of other executives consists of the following:

- a. salary - senior executives receive a sum payable monthly in cash;
- b. bonus - each executive is eligible to participate in a bonus or profit participation plan if deemed appropriate;
- c. long term incentives - each senior executive may, where appropriate, participate in share option schemes which have been approved by shareholders; and
- d. other benefits – senior executives are eligible to participate in superannuation schemes and other appropriate additional benefits.

Directors' Report

Non-Executive Remuneration

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Remuneration Committee recommends the actual payments to Directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for Directors is currently \$200,000.

It is recognised that Non-Executive Directors' remuneration is ideally structured to exclude equity based remuneration. However, whilst the Company remains small and the full Board, including the Non-Executive Directors, are included in the operations of the Company more closely than may be the case with larger companies the Non-Executive directors are entitled to participate in equity based remuneration schemes.

All Directors are entitled to have their indemnity insurance paid by the Company.

Bonus or Profit Participation Plan

Performance incentives may be offered to Executive Directors and senior management of the Company through the operation of a bonus or profit participation plan at the ultimate discretion of the Board.

Details of Remuneration for Period Ended 30 June 2011

The remuneration for each Director and the senior Executive of the Company during the period was as follows:

2011

Key Management Person	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & commissions	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Winton Willesee	-	-	-	-	-	-	-	-	-	0%	0%
Andrew Maurice	24,972	-	-	-	2,247	-	-	-	27,219	0%	0%
Shannon Coates	-	-	-	-	-	-	-	-	-	0%	0%
	24,972	-	-	-	2,247	-	-	-	27,219		

Options issued as part of remuneration

1,500,000 options exercisable at 20 cents each on or before 1 July 2014 were granted to Directors prior to the Company obtaining any interest in contracts and before new capital was raised. The value of the options was Nil cents.

Shares Issued on Exercise of Compensation Options

No options granted as compensation were exercised during the period.

Directors' Report

Employment contracts of directors and senior executives

Managing Director

On 14 March 2011, the Company entered into an Executive Employment Agreement ("Executive Employment Agreement") with Managing Director, Mr Andrew Maurice, ("Executive") on the following material terms and conditions. Terms defined in this Section have the same meaning as contained in the Executive Employment Agreement:

- (a) Remuneration: Daily Rate of \$1,200 per day, based on actual days worked, plus any applicable superannuation.
- (b) Termination date: 14 March 2013.
- (c) Termination by the Executive: The Executive may terminate the Executive Employment Agreement by:
 - (i) giving written notice to that effect in the event of any breach, non-observance or non-performance by the Company of any provision of the Executive Employment Agreement and the failure by the Company to remedy or adequately respond to the breach, non-observance or non-performance within 10 business days of written notice requiring it to remedy such breach; or
 - (ii) giving one month's written notice to the Company without providing a reason for termination.
- (d) Termination by the Company: The Company may terminate the Executive Employment Agreement by the Company giving one month's written notice to the Executive without needing to provide any reason for termination.

If notice is given by either party to terminate, the Company may make a payment of \$1,200 in lieu of the notice period.

Non-Executive Directors' Letters of Appointment

Non-Executive Directors' Letters of Appointment provide that Mr Willesee and Ms Coates respectively receive Director's fees of \$30,000 per annum (inclusive of superannuation). The directors fees are payable from the date of listing of the Company on the ASX.

Deeds of Indemnity

The Company has entered into Deeds of Indemnity and Access with each of its Directors (**Deeds**). Pursuant to the Deeds, the Company will indemnify each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as an officer of the Company. The Company will be required under the Deeds to maintain insurance policies for the benefit of the relevant Director for the term of the appointment and for a period of 7 years after the relevant Director's retirement or resignation.

The Deeds will also provide for the Director's right of access to Board papers.

***** END OF REMUNERATION REPORT *****

Directors' Report

Meetings of Directors

During the financial period, four scheduled meetings of Directors were held. Attendances by each Director during the period were as follows:

	Directors' Meetings	
	Number eligible to attend	Number Attended
Directors		
Winton Willesee	3	3
Andrew Maurice	3	3
Shannon Coates	4	4

The full Board fulfils the role of Remuneration, Nomination and Audit committees.

Indemnifying Officers

In accordance with the Constitution, except as may be prohibited by the Corporations Act 2001, every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Options

During the period ended 30 June 2011, 1,500,000 options exercisable at 20 cents on or before 1 July 2014 were issued and nil shares were issued on the exercise of options. No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate. At the date of this report there are 1,500,000 options outstanding.

Proceedings on Behalf of Company

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

The Company was not a party to any such proceedings during the period.

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the full Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Directors' Report

The following fees for non-audit services were paid/payable to the external auditors during the period:

	2011
	\$
Investigating accountants report	7,055
	7,055

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2011 has been received and can be found on page 21 of this Annual Report.

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



WINTON WILLESEE
Non-Executive Chairman

DATED this 30th day of September 2011

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Mining Group Limited is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. Mining Group's objective is to achieve best practice in corporate governance and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at www.mininggroup.net.au contains additional details of its corporate governance procedures and practices.

ASX Best Practice Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX best practice recommendations in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation the reasons are set out in the relevant section of this statement.

On 20 April 2011, the Board adopted a Corporate Governance policy that (except where expressly noted below) complies with the Listing Rules and the Principles set out in the Second Edition of the "Corporate Governance Principles and Recommendations", established by the ASX Corporate Governance Council and published by the ASX in August 2007.

Board of Directors

Role and Responsibilities of the Board

The Board is responsible for guiding and monitoring the Company on behalf of shareholders. The specific responsibilities of the Board include:

- appointment, evaluation, rewarding and if necessary the removal of the Managing Director, and Chief Financial Officer (or equivalent) and the Company Secretary;
- in conjunction with management, development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- establishing appropriate levels of delegation to the Managing Director to allow him to manage the business efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company;
- monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;
- via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- overseeing the management of safety, occupational health and environmental matters;

- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- to ensure that appropriate internal and external audit arrangements are in place and operating effectively;
- having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and
- reporting to shareholders.

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

Board composition

The Board is comprised of one executive Director and two non-executive Directors.

The Company's website contains details on the procedures for the selection and appointment of new directors and the re-election of incumbent directors, together with the Board's policy for the nomination and appointment of directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has adopted a formal Nomination Committee Charter, available on the Company's website, which includes information on the Company's approach to selection and appointment of Directors. However the Company does not presently have a separate Nomination Committee. As the Board is small, the full Board conducts the function of such a committee, in accordance with the Charter.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have a broad range of qualifications, experience and expertise in the minerals exploration industry and in the finance and legal industries. The skills, experience and expertise of Directors are set out in the Directors' Report. The Board considers that the current composition of the Board is adequate for the Company's current size and operations and includes the appropriate mix of skills and expertise, relevant to the Company's business.

The names of the Directors in office at the date of this Report, the year they were first appointed, their status as non-executive, executive or independent Directors and whether they are retiring by rotation and seeking re-election by shareholders at the 2011 Annual General Meeting, are set out in the Directors' Report.

Independence of non-executive directors

ASX Principle 2 recommends that a majority of the Board should be independent directors. The Board considers an independent director to be a non-executive director who meets the criteria for independence included in Principle 2 of the ASX Corporate Governance Principles and Recommendations. Materiality for these purposes is based on quantitative and qualitative bases. An amount of over 5% of the annual turnover of the Company or 5% of the individual director's net worth is considered material for these purposes.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that a majority of the Directors are not independent.

Currently the Board is comprised of one independent Director, Winton Willesee, and two non independent Directors, Andrew Maurice who acts in an executive capacity as the Managing Director, and Shannon Coates, who also provides company secretarial consultancy services to the Company. However, the Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Board has formed the view that the individuals on the Board can, and do make quality judgements in the best interests of the Company on all relevant issues.

Independent professional advice

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

Meetings

The Board held 4 scheduled meetings during the reporting period and no unscheduled meetings were held during that period.

The attendance of Directors at Board meetings during the period ended 30 June 2011 is detailed in the Directors' Report.

Evaluation of Board and Senior Executive performance

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. The Company's annual Board review to consider the 2010/11 financial period is scheduled to take place within 4 months of the end of financial year.

The Managing Director is responsible for assessing the performance of the key executives within the Company. As the Company is only newly formed, there are currently no key executives, other than the Managing Director.

Remuneration

ASX Principle 8 recommends the Board establish a Remuneration Committee to focus on appropriate remuneration policies. It is further recommended that the Remuneration Committee have a formal Charter.

The Company has adopted a formal Remuneration Committee Charter, available on the Company's website, which includes information on the Company's approach to remuneration of Directors (executive and non-executive) and senior executives. However the Company does not presently have a separate Remuneration Committee. Given the small size of the Board, the full Board conducts the function of such a committee, in accordance with the Charter.

In accordance with Principle 8, Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Non-executive Directors' fees are currently capped at \$200,000 per annum.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

See the Remuneration Report for details of remuneration paid to Directors and key executives during the period.

Risk Management

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control, requiring management appraise the Board of changing circumstances within the Company and within the international business environment. During the reporting period, the Managing Director regularly reported to the Board as to the effectiveness of the Company's management of its material business risks. Further, in accordance with Principle 7, the Managing Director has confirmed in writing to the Board that:

- the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.
- the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board;
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Financial Reporting

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

The Company has prepared a formal Audit Committee Charter, available from the Company's website, which promotes an environment consistent with best practice financial reporting and includes information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. However due to the small size of the Board, the Company does not presently have a separate Audit Committee. The full Board conducts the function of such a committee, in accordance with the Charter.

Code of Conduct

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

The Board has established a Diversity Policy in accordance with ASX Principle 3. However, given the small size of the Company and its current stage of operations, the Board has opted not to establish measurable objectives for achieving gender diversity and as a result cannot assess such objectives and progress toward achieving them. The Board is pleased to report however that one member of the three member Board is female.

Securities Trading

As required by Listing Rule 12.12, the Board has adopted a Securities Trading Policy which regulates dealings by Directors, offices and employees in securities issued by the Company.

Under the policy, which is available on the Company's website, general restrictions are imposed on Directors and employees when in possession of inside information, while additional trading restrictions apply to Directors and some employees.

The policy regulates trading by key management personnel within defined closed periods, as well as providing details of trading not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance.

Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of the Company.

Continuous Disclosure

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy which is available from the Company's website.

The Company is committed to:

- complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing rules;
- preventing the selective or inadvertent disclosure of material price sensitive information;
- ensuring shareholders and the market are provided with full and timely information about the Company's activities;
- ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

Shareholder Communication

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

The Managing Director and Company Secretary have primary responsibility for communication with shareholders. Information is communicated through:

- continuous disclosure to relevant stock markets of all material information;
- periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of corporate activities;
- notices of meetings and explanatory material;
- the annual general meeting;
- periodic newsletters or letters from the Chairman or Managing Director; and
- the Company's web-site.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are requested to attend the Company's annual general meetings.

30 September 2011

Board of Directors
Mining Group Limited
Level 1, 173 Mounts Bay Road
Perth WA 6000

Dear Sirs

RE: MINING GROUP LIMITED

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

As Audit Director for the audit of the financial statements of Mining Group Limited for the period ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



J P Van Dieren
Director

Statement of Comprehensive Income

for the period ended 30 June 2011

	Note	9 February to 30 June 2011 \$
Administrative expenses		17,585
Consultancy and legal expenses		1,857
Compliance and regulatory expenses		10,153
Communication expenses		166
Director and employee related expenses		27,080
Insurance		<u>11,217</u>
Loss before income tax expense		<u>(68,058)</u>
Income tax expense	4	<u>-</u>
Loss for the period		<u>(68,058)</u>
Other comprehensive income		<u>-</u>
Comprehensive loss for the period		<u><u>(68,058)</u></u>
Earnings per share		
Basic loss per share (cents)	5	(0.69)
Diluted loss per share (cents)	5	(0.69)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2011

	Note	2011 \$
CURRENT ASSETS		
Cash and cash equivalents	6	2,573,939
Other receivables	7	<u>13,180</u>
TOTAL CURRENT ASSETS		<u>2,587,119</u>
NON CURRENT ASSETS		
Exploration costs	8	<u>77,186</u>
TOTAL NON CURRENT ASSETS		<u>77,186</u>
TOTAL ASSETS		<u>2,664,305</u>
CURRENT LIABILITIES		
Trade and other payables	9	272,722
Provisions		<u>1,548</u>
TOTAL CURRENT LIABILITIES		<u>274,270</u>
TOTAL LIABILITIES		<u>274,270</u>
NET ASSETS		<u>2,390,035</u>
EQUITY		
Issued capital	10	2,458,093
Accumulated losses		<u>(68,058)</u>
TOTAL EQUITY		<u>2,390,035</u>

The accompanying notes form part of these financial accounts

Statement of Cash Flows

for the period ended 30 June 2011

Note **9 February to**
30 June 2011
\$

CASH FLOWS FROM OPERATING ACTIVITIES

Payments to suppliers and employees		<u>(25,011)</u>
Net cash used in operating activities	13(b)	<u>(25,011)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of tenements		<u>(44,143)</u>
Net cash used in investing activities		<u>(44,143)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares		2,750,110
Capital raising costs		<u>(107,017)</u>
Net cash provided by financing activities		<u>2,643,093</u>

Net increase in cash held		2,573,939
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at the end of the financial period	13(a)	<u>2,573,939</u>

The accompanying notes form part of these financial accounts

Statement of Changes in Equity

for the period ended 30 June 2011

		Issued Capital \$	Accumulated Losses \$	Total \$
	Note			
Loss for the period		-	(68,058)	(68,058)
Other comprehensive income		-	-	-
Total comprehensive loss for the period		-	(68,058)	(68,058)
Transactions with owners				
Shares issued during the period (net of capital raising costs)	10	2,458,093	-	2,458,093
Balance at 30 June 2011		2,458,093	(68,058)	2,390,035

The accompanying notes form part of these financial accounts

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Mining Group Limited, a Company domiciled and incorporated in Australia.

The financial report was authorised for issue on 30 September 2011 by the Directors of the company.

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Notes to the Financial Statements

for the period ended 30 June 2011

b. Exploration, evaluation and development expenditure

Exploration, evaluation and acquisition expenditure on areas of interest will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

c. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the years in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

d. Financial Instruments

Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Financial Statements

for the period ended 30 June 2011

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the year in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on the last trading price for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

e. Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

f. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Notes to the Financial Statements

for the period ended 30 June 2011

Equity-settled compensation

The entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

g. Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

i. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

j. Goods and Services Tax (“GST”)

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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.

k. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Notes to the Financial Statements

for the period ended 30 June 2011

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Judgements – Deferred exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(b).

Key Judgements –Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

I. Operating segments

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments.

m. Comparative information

No comparative information has been disclosed as the Company was incorporated on 9 February 2011 and this is the first financial report of the Company.

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of the entity's key management personnel in office at any time during the financial period are:

Winton Willesee	Non-Executive Chairman
Andrew Maurice	Executive Director
Shannon Coates	Non-Executive Director and Company Secretary

30 June 2011

Number of Shares Held by Key Management Personnel

Key Management Person	Balance at date of incorporation 9.2.2011	Received as Compensation	Options Exercised	Net Change Other	Balance on Resignation	Balance 30.6.2011
Winton Willesee	-	-	-	150,000	-	150,000
Andrew Maurice	-	-	-	200,000	-	200,000
Shannon Coates	-	-	-	343,751	-	343,751
	-	-	-	693,751	-	693,751

Notes to the Financial Statements

for the period ended 30 June 2011

Number of Options Held by Key Management Personnel

30 June 2011

Key Management Person	Balance at date of incorporation 9.2.2011	Granted as compensation	Options Exercised	Net Change Other	Balance 30.6.2011	Total 30.6.2011
Winton Willesee	-	500,000 ¹	-	-	500,000	500,000
Andrew Maurice		500,000 ¹			500,000	500,000
Shannon Coates	-	500,000 ¹	-	-	500,000	500,000
	-	1,500,000	-	-	1,500,000	1,500,000

1. Options escrowed to 1 July 2013

2011
\$

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

Short-term employee benefits	24,972
Post-employment benefits	2,247
Other long-term benefits	-
Termination benefits	-
Share-based payments	-
	<u>27,219</u>

NOTE 3. AUDITOR'S REMUNERATION

2011
\$

Remuneration of the auditor for:

- Auditing or reviewing the financial report	10,000
- Corporate services	7,055
	<u>17,055</u>

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 4. INCOME TAX	Note	2011
		\$
a) Income tax expense		
Current tax		-
Deferred tax		-
		<u>-</u>
Deferred income tax expense included in income tax expense comprises:		
(a) (Increase) in deferred tax assets		(23,156)
(b) Increase in deferred tax liabilities		23,156
		<u>-</u>
b) Reconciliation of income tax expense to prima facie tax payable		
The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on operating loss at 30%		(20,417)
Add / (Less)		
Tax effect of:		
Deferred tax asset not brought to account		20,417
Income tax attributable to operating loss		<u>-</u>
The applicable weighted average effective tax rates are as follows:		Nil%
Balance of franking account at year end		Nil
c) Deferred tax assets		
Tax Losses		20,417
Provisions		464
Other		2,275
		<u>23,156</u>
Set-off deferred tax liabilities	4(d)	<u>(23,156)</u>
Net deferred tax assets		<u>-</u>
d) Deferred tax liabilities		
Exploration expenditure		23,156
		<u>23,156</u>
Set-off deferred tax assets	4(c)	<u>(23,156)</u>
Net deferred tax liabilities		<u>-</u>
e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised		<u>20,417</u>

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 4. INCOME TAX

Note

2011

\$

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2011 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- i. the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- ii. the Company continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 5. EARNINGS PER SHARE

a) Loss used to calculate basic EPS (68,058)

Number of
Shares

b) Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS

9,839,008

The diluted loss per share is disclosed as the same as the basic earnings per share as a loss was incurred in the period.

NOTE 6. CASH AND CASH EQUIVALENTS

Cash at bank and in hand 2,573,939

NOTE 7. OTHER RECEIVABLES

GST receivable 13,180

13,180

NOTE 8. EXPLORATION EXPENDITURE

Exploration expenditure capitalised 77,186

The value of Company interest in exploration expenditure is dependent upon:

- the continuance of the economic entity rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploration of the areas of interest, or alternatively, by their sale.

The exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 9. TRADE AND OTHER PAYABLES	2011
	\$
Trade creditors	18,403
Other payables and accruals	251,897
PAYG	2,422
Other payables and accruals	<u>272,722</u>

Trade creditors are expected to be paid on 30 day terms.

NOTE 10. ISSUED CAPITAL	2011
	\$
26,050,001 Fully paid ordinary shares (net of capital raising costs of \$322,017)	<u>2,458,093</u>

The Company has issued capital amounting to 26,050,001 with no par value.

a) Ordinary Shares	Number of Shares	\$
At the beginning of the reporting period	-	-
Shares issued during the period		
- 9 February 2011 (at \$1) for cash	1	1
- 14 March 2011 (at \$0.00001 each) for cash	450,000	4
- 21 March 2011 (at \$0.00001 each) for cash	10,450,000	105
- 8 April 2011 (at 10 cents each) for cash	2,500,000	250,000
- 22 June 2011 (at 20 cents each) for tenement acquisition	150,000	30,000
- 24 June 2011 (at 20 cents each) for cash	12,500,000	2,500,000
At reporting date	<u>26,050,001</u>	<u>2,780,110</u>

b) Capital management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2011 are as follows:

Cash and cash equivalents	2,573,939
Trade and other receivables	13,180
Trade and other payables and provisions	<u>(274,270)</u>
Working capital position	<u>2,312,849</u>

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 11. COMMITMENTS

- a) The Company has tenements rental and expenditure commitments of:

Payable:

– not later than 12 months	96,480
– between 12 months and 5 years	60,000
– greater than 5 years	-
	156,480

NOTE 12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets.

NOTE 13. CASH FLOW INFORMATION

a) Reconciliation of Cash

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	2,573,939

b) Reconciliation of Cash Flow from Operations with Operating Loss after Income Tax

Operating loss after income tax	(68,058)
Non-cash flows in loss from ordinary activities	-
<i>Changes in assets and liabilities</i>	
(Increase)/decrease in trade and other receivables	(13,180)
Increase/(decrease) in trade and other payables	54,679
Increase/(decrease) in provisions	1,548
<i>Net Cash Flow from/(used in) Operating Activities</i>	(25,011)

Non Cash Financing and investing Activities

150,000 shares were issued at 20 cents each for the acquisition of interests in tenements.

NOTE 14. RELATED PARTY TRANSACTIONS

Other than remuneration disclosed in Note 2 and the Remuneration Report section of the Directors report, there has been no related party transactions during the financial period.

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 15. FINANCIAL INSTRUMENTS

a) Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for the Company's operations.

Derivatives are not currently used by the Company for hedging purposes. The Company does not speculate in the trading of derivative instruments.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 \$
Financial Assets		
Cash and cash equivalents	6	2,573,939
Receivables	7	13,180
Total Financial Assets		<u>2,587,119</u>
Financial Liabilities		
Trade and other payables	9	272,722
Total Financial Liabilities		<u>272,722</u>

i. Treasury Risk Management

The full Board of the Company meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The Company's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable. The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk, and market risk (being equity price risk).

Interest rate risk

The Company does not have any debt that may be affected by interest rate risk.

Sensitivity analysis

At 30 June 2011, if interest rates had changed by +/- 75 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Company would have been \$19,305 lower/higher as a result of lower/higher interest income from cash and cash equivalents.

Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk by preparing forward looking cash flow analysis in relation to its operational, investing and financing activities and monitoring its cash assets and assets readily convertible to cash in the context of its forecast future cash flows. The Company continually monitors its access to additional equity capital should that be required, maintains a reputable credit profile and manages the credit risk of its financial assets.

Notes to the Financial Statements

for the period ended 30 June 2011

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Credit risk related to balances with banks and other financial institutions is managed by the full Board in accordance with approved Board policy.

	Note	2011
		\$
Cash and cash equivalents		
— AA Rated	6	2,573,939
		<u>2,573,939</u>

Market Risk – Equity/Securities Price Risk

The Company is not exposed to securities price risk on investments held for trading or for medium to longer term as no such investments are currently held.

b) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at the balance date are recorded at amounts approximating their carrying amount.

c) Interest Rate Risk

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

	Floating Interest Rate	Fixed Interest Rate		Non Interest Bearing	Total	Weighted Effective Interest Rate
		1 Year or Less	1 to 5 Years			
	2011 \$	2011 \$	2011 \$	2011 \$	2011 \$	2011 %
Financial Assets						
Cash	2,573,939	-	-	-	2,573,939	0%
Trade and other receivables	-	-	-	13,180	13,180	N/A
Total Financial Assets	2,573,939	-	-	13,180	2,587,119	
Financial Liabilities						
Trade and other payables	-	-	-	272,722	272,722	N/A
Total Financial Liabilities	-	-	-	272,722	272,722	

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 16. OPERATING SEGMENTS

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of business category and geographical areas. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets(excluding tenement assets) and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- intangible assets; and
- discontinuing operations, other than those related to tenement assets.

Notes to the Financial Statements

for the period ended 30 June 2011

	Exploration	Total
	\$	\$
(i) Segment performance		
30 June 2011		
Total segment revenue	-	-
Total segment expenses	-	-
Segment net profit/(loss) before tax	-	-
<i>Reconciliation of segment result to company net loss</i>		
Unallocated items		
Other revenue		-
Other expenses		68,058
Net loss before tax from continuing operations		68,058

	Exploration	Total
	\$	\$
(ii) Segment assets		
30 June 2011		
Segment assets		
Total segment assets	77,186	77,186
<i>Unallocated Assets</i>		
Cash and cash equivalents		2,573,939
Trade and other receivables		13,180
Total company assets		2,664,305

(iii) Segment liabilities

	Exploration	Total
	\$	\$
30 June 2011		
Segment liabilities		
Total segment liabilities	3,304	3,304
<i>Unallocated liabilities</i>		
Trade and other payables		269,418
Provisions		1,548
Total company liabilities		274,270

(iv) Revenue by geographical region

There is no revenue attributable to external customers.

(v) Assets by geographical region

All reportable segment assets are located in one location, Australia.

Notes to the Financial Statements

for the period ended 30 June 2011

NOTE 17. SHARE-BASED PAYMENTS

During the period 1,500,000 options were issued to directors prior to the Company acquiring any interest in contracts and before new capital was raised. The value of the options was nil cents. 150,000 shares were issued at a deemed issue price of 20 cents each to acquire interests in tenements.

NOTE 18. NEW ACCOUNTING STANDARDS APPLICABLE IN FUTURE PERIOD

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held-to-maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
 - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
 - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).
- This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Company.
- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

Notes to the Financial Statements

for the period ended 30 June 2011

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Company is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Company.

- AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Company.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Company.

Notes to the Financial Statements

for the period ended 30 June 2011

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Company.

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

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

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

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

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

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Company.

- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Notes to the Financial Statements

for the period ended 30 June 2011

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Company.

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

NOTE 19. EVENTS SUBSEQUENT TO REPORTING DATE

On 1 July 2011, the Company was quoted on the Official List of the Australian Securities Exchange.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 20. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Level 1, 173 Mounts Bay Road
PERTH, WA 6000

Directors' Declaration

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 22 to 43, are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
 - c) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the period ended on that date of the Company;
- 2) the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial period give a true and fair view;
- 3) In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



WINTON WILLESEE
Non-Executive Chairman

DATED this 30th day of September 2011

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

Report on the Financial Report

We have audited the accompanying financial report of Mining Group Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the company, comprising the financial statements and notes, complies 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 Mining Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 11 of the directors' report for the period ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Mining Group Limited for the period ended 30 June 2011 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd


J P Van Dieren
Director

West Perth, Western Australia
30 September 2011

Shareholder Information

The following information is current as at 12 September 2011:

DISTRIBUTION SCHEDULES

Distribution of each class of security:

Fully paid ordinary shares

		Range	Holders	Units	%
1	-	1,000	2	2	0.00
1,001	-	5,000	4	12,440	0.05
5,001	-	10,000	118	1,179,999	4.53
10,001	-	100,000	267	9,702,325	37.24
100,001	-	Over	31	15,155,235	58.18
Total			422	26,050,001	100.00

Unlisted Options exercisable at \$0.20 on or before 1 July 2014

		Range	Holders	Units	%
1	-	1,000	-	-	0.00
1,001	-	5,000	-	-	0.00
5,001	-	10,000	-	-	0.00
10,001	-	100,000	-	-	0.00
100,001	-	Over	3 ³	1,500,000	100.00
Total			3	1,500,000	100.00

³Andrew James Maurice holds 500,000 options comprising 33.33% of this class; Simon Kimberley Coates <Kooyong A/C> holds 500,000 options comprising 33.33% of this class; Azalea Family Holdings Pty Ltd <No 2 A/C> holds 500,000 options comprising 33.33% of this class.

VOTING RIGHTS

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

RESTRICTED SECURITIES

The Company has the following restricted securities:

- 12,300,000 fully paid ordinary shares of which:
 - 1,234,375 are escrowed to 8 April 2012;
 - 150,000 are escrowed to 22 June 2012; and
 - 10,915,625 are escrowed to 1 July 2013.
- 1,500,000 options, exercisable at 20 cents each on or before 1 July 2014, escrowed to 1 July 2013.

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders that have provided the company with substantial shareholding notices as at 12 September 2011:

Shareholder	No. of Shares	%
James Allan Fraser and Barbara Margaret Fraser <Fraser Superannuation Fund A/C>	4,500,000	17.27
Cuckfield Pty Ltd <Vivienne Jagger S/F A/C>	2,131,350	8.18

Shareholder Information

Mahsor Holdings Pty Ltd <Rosham Family Super A/C>

2,221,350

8.53

ON-MARKET BUY BACK

There is no current on-market buy-back.

UNMARKETABLE PARCELS

Holdings of less than a marketable parcel of ordinary shares (being 2,500 as at 12 September 2011):

Holders	Units
3	2442

TOP HOLDERS

The 20 largest registered holders of each class of quoted security as at 12 September 2011 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1	MR JAMES ALLAN FRASER & MS BARBARA MARGARET FRASER <FRASER SUPERANNUATION FUND A/C>	4,500,000	17.27
2	CUCKFIELD PTY LTD <VIVIENNE JAGGER S/F A/C >	2,131,350	8.18
3	MAHSOR HOLDINGS PTY LTD <ROSHAM FAMILY SUPER A/C >	2,121,350	8.14
4	MR MERLE SMITH + MS KATHRYN SMITH <THE MINI PENSION FUND A/C >	807,300	3.10
5	DECK CHAIR HOLDINGS PTY LTD	660,000	2.53
6	VIV MAC PTY LTD <VIVIENNE MACMAHON SUPER A/C>	400,000	1.54
7	BLACK ROOSTER HOLDINGS PTY LTD <BLACK ROOSTER A/C>	375,000	1.44
8	HAWKSTONE GROUP PTY LTD <HAWKSTONE INVESTMENT A/C>	370,000	1.42
9	MR SIMON KIMBERLEY COATES <THE KOORYONG A/C>	312,500	1.20
10	MR KINGSLEY BARTHOLOMEW	275,000	1.06
11	DRAGON GAS LIMITED	275,000	1.06
12	GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>	275,000	1.06
13	MR NICHOLAS JACOB GOLD	275,000	1.06
14	YARDIE (WA) PTY LTD <AW SMITH FAMILY A/C>	237,750	1.05
15	SEIVAD INVESTMENTS PTY LTD	235,000	0.90
16	MR NICOLO FLOYD BONTEMPO <BONTEMPO FAMILY A/C>	218,750	0.84
17	GEMRANCH PTY LTD <GEMRANCH UNIT A/C>	210,235	0.81
18	HARPENDON NOMINEES PTY LTD <BEGELLY A/C>	200,000	0.77
19	REEVES SUPERANNUATION SERVICES PTY LTD <AUSTINDO SUPER FUND A/C>	200,000	0.77
20	RYLET PTY LTD	200,000	0.77
		<u>14,279,235</u>	<u>54.97</u>

Tenement Schedule

TENEMENT SCHEDULE

Tenement	Size (Ha)	Grant Date	Expiry Date
P26/3621	99	17/11/2008	16/11/2012 ¹
P26/3622	107	17/11/2008	16/11/2012 ¹
E37/1037	1,613	23/07/2010	22/07/2015
ELA69/2935 ²	228	N/A	N/A
Total	2047 Ha		

Notes:

1. P26/3621 and P26/3622 may be extended at the discretion of the Minister of Mines for a period of 4 years and, in certain circumstances, by a further period or periods of 4 years.
2. Not yet granted, Exploration Licence Application dated 30/03/2011.