MINING GROUP LIMITED
ABN 73 149 230 811

Annual Financial Report 2012

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Corporate Directory

DIRECTORS

Mr Winton Willesee - Non-Executive Chairman
Mr Zeffron Reeves - Managing Director
Mr Robert Butchart - Non-Executive Director
Mr Colin Johnstone - Non-Executive Director

COMPANY SECRETARY

Ms Shannon Coates

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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WEST PERTH, WA 6005

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SOLICITORS TO THE COMPANY

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Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6005

SHARE REGISTRY

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Level 2, 45 St Georges Terrace
PERTH WA 6000
Phone: +61 (8) 9323 2000
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AUDITORS

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Level 2
1 Walker Street
WEST PERTH WA 6005

SECURITIES EXCHANGE

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Exchange Plaza
2 The Esplanade
PERTH WA 6000

(ASX: MNE)

Directors' Report

The Directors of Mining Group Limited ("Mining Group" or "the Company") submit herewith the financial report of the company and its subsidiaries (the "Group") for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

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

Mr Winton Willesee - Non-Executive Chairman	
Mr Zeffron Reeves – Managing Director	*(Appointed 17 July 2012)*
Mr Andrew Maurice - Managing Director	*(Resigned 17 July 2012)*
Mr Robert Butchart – Nominee Director	*(Appointed 1 March 2012)*
Mr Colin Johnstone - Non-Executive Director	*(Appointed 24 May 2012)*
Ms Shannon Coates – Non-Executive Director	*(Resigned 24 May 2012)*

Unless otherwise stated the Directors have been in office since the beginning of the financial year to the date of this report.

COMPANY SECRETARY

Ms Shannon Coates

PRINCIPAL ACTIVITIES

Mining Group Limited is an ASX listed company, incorporated in Australia. The principal activities of the Company and its subsidiaries are the acquisition, exploration and development of commercially significant resource projects in Australia and overseas. The Company currently holds interests in the West Australian based Boorara, Teutonic and Lake Christopher Projects, which are prospective for gold and base metals. On 17 January 2012, the Company acquired an 80% interest in the Comval copper gold project in the Philippines ("Comval Project") from Cadan Resources Corporation (TSXV: CXD)("Cadan"). Refer Note 25.

During the year, the Group has conducted mineral exploration and evaluation activities on its West Australian and Philippine based projects.

OPERATING RESULTS

The loss of the Group after providing for income tax amounted to $1,755,410 (2011: $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

Following a successful listing on 1 July 2011, Mining Group commenced exploration work at its West Australian Boorara and Teutonic Projects and commenced land access discussions to progress the Lake Christopher Project.

Consistent with the Group's stated corporate objectives to identify additional resource opportunities in Australia and overseas, during the year, the Company completed the acquisition of an 80% interest in the Comval Project in the Philippines.

Comval Project (80%)

In early November 2011, Mining Group embarked on its first offshore project acquisition, entering into a binding Heads of Agreement with Cadan to acquire an 80% interest in the Comval Copper and Gold Project, located in the Philippines. The Company completed the acquisition on 17 January 2012.

The Comval Project consists of two exploration permits, EP-00001-XI (EP1) and EP-00002-09-XI (EP2), covering an area of 4310 hectares, which are prospective for copper and gold.

The Comval Project is located in the established copper and gold producing region of the Compostela Valley on the Philippines island of Mindanao. A number of major copper and gold deposits occur within the region and the project has potential for epithermal gold deposits and large scale copper gold porphyry mineralisation and associated deposits. Comval is located adjacent to the Philippines Fault Zone, which is a world class copper/gold province and which hosts major deposits such as Kingking (St Augustine) (5 billion lb Cu, 10.3 million oz. Au), Dilwalwal (Philippines Mining Development Corp) (10 million oz. Au) and CoO (Medusa) (2.5 million oz. Au).

The Philippines Government is committed to providing a competitive investment climate and adequate protection of the rights and privileges of mining investors. The Philippines is also proximal to countries which have a high demand for metals, such as Japan, Korea and China.

Copper and gold mineralisation was first discovered at the Comval Project during the 1960's and the area has been subject to historical mining activity during the 1980's by Sabena Mining Corporation at the historical Tagpura open pit mine which ceased operations in the early 1980's when the copper price declined below 75c/lb.

Exploration of the project has identified numerous bodies of copper and gold mineralisation occur along the margins of intrusive quartz diorites as skarns and associated porphyries. The Project has 3 main targets, Tagpura, Maangob and Kalamatan, with numerous other early stage targets having been previously identified as prospective for both copper and gold.

Upon the 80% acquisition of the project the Company inherited a significant amount of historical data including surface mapping and sampling, trenching, over 24,000 metres of diamond and RC drilling, geophysical surveys (IP and magnetic) and preliminary metallurgical studies. Since the acquisition the Mining Group exploration team has compiled and integrated all of this data and is generating some exciting results, as well as moving the advanced targets of Maangob and Tagpura forward towards a JORC compliant resource which will provide a base for resource expansion that will justify further development of the project.

In addition to the work done on the historical data Mining Group has also:

- Completed re-logging and checked sampling of approximately 20,000 metres of historical drill core and RC drill samples
- Re-interpreted and integrated geological, geophysical and geochemical data to generate new drill targets
- Commenced a detailed high resolution ground magnetic survey to delineate the Tagpura extensions and the extent of the newly identified Bayag Bayag skarn; and
- Completed 18 drill holes across 3 targets - 9 completed at the new discovery of Bayag Bayag, 8 at Tagpura and 1 at Maangob for a total of 4,148.40 metres.

In addition to the above, the Company has also been granted an option to acquire an 80% interest in the Batoto Gold/Silver Project held by Cadan, pursuant to due diligence processes being carried out.

The company has an extensive exploration program planned for the coming year in order to unlock the full value of the Comval Copper Gold Project.

Boorara Project *(earning up to 70%)*

The Boorara Project is located approximately 17 kilometres southeast of Kalgoorlie in the East Coolgardie Mineral Field in Western Australia and comprises two granted Prospecting Licenses (P26/3621 and P26/3622), covering an area of 206 hectares. The Project area occupies a favourable position within the prospective Boorara Shear Zone and is considered prospective for gold and base metals. The Company has progressed exploration work on the Boorara Project by undertaking a first pass orientation program which was designed to follow up on previously weak gold in soil anomalism from historical drill results and to determine the best soil fraction to gain a maximum gold response. Analysis of results showed the best response for gold was in the -75 micron fraction with strong correlation between Au, Hg and Te, typical of Kalgoorlie style gold bearing systems. Given the encouraging results, the Company is in the process of planning a detailed soil-sampling program over the tenements.

Teutonic Project *(earning up to 70%)*

The Teutonic Project is located approximately 30 kilometres north of Leonora in Western Australia and comprises one granted Exploration License (E37/1037) covering an area of 1,613 hectares. The Project area is prospective for gold and base metal mineralisation similar to the volcanogenic massive sulphide ("VMS") styles recently discovered at Jaguar, Bentley and Teutonic Bore approximately 30kilometres north northwest of the Project area.

In August 2011, the Company purchased detailed multi-client aeromagnetic data covering approximately 65% of the Teutonic Project area. The data was processed by Resource Potentials Pty Ltd to produce a suite of images. The survey data indicates a number of discrete magnetic anomalies in the east of the Project area, coincident with stratigraphy which hosts the VMS deposits of Jaguar and Bentley. No previous exploration has been conducted over this area at the Teutonic Project and the Company believes the eastern portion of the tenement is prospective for VMS mineralisation.

The Company has commenced reinterpretation of this data to identify potential drill targets, possibly associated with VMS style base metals deposits similar to along strike Jaguar and Bentley deposits. The Company will continue to interpret this data and evaluate potential targets.

Lake Christopher Project *(100%)*

The Lake Christopher Project is located 130 kilometres west of the border between Western Australia and the Northern Territory. It is made up of a single Exploration Licence application, ELA69/2935, covering an area of 228 square kilometres 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 warrants further investigation to determine the source.

Land access discussions have progressed with the Ngaanyatjarra Council ("NC"), which acts for the Ngaanyatjarra Land Council and the Yarnangu Ngaanyatjarra Parna (Aboriginal Corporation) with respect to the negotiation of a Mineral Exploration Land Access agreement and a Mining Access Permit at Lake Christopher.

A preliminary anthropological assessment is being undertaken and the Company is in the process of finalising the agreement with the NC and plans to meet with the traditional owners in the coming months.

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), an employee ofto 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 his information in the form and context in which it appears.

Corporate

The following capital raisings were completed during the year:

- A fully underwritten pro-rata non-renounceable rights issue of 6,512,500 new options exercisable at $0.20 each on or before 1 July 2014 on a basis of 1 new option for every 4 Shares at an issue price of $0.01 per new option. The rights issue was completed on 17 November 2011.

- 15,000,000 fully paid ordinary shares at an issue price of $0.20 per share to sophisticated and professional investors to raise $3,000,000 (before costs) issued for the acquisition of the Comval Project. This placement was completed on 17 January 2012.

- 6,000,000 fully paid ordinary shares at an issue price of 50 cents per share to raise $3,000,000 (before costs) to sophisticated investor clients of Cygnet Capital Pty Ltd. The placement was completed in two tranches with Tranche 1 completed on 29 March 2012 and Tranche 2 completed on 18 April 2012.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

The Company was officially listed on the Australian Securities Exchange on 1 July 2011.

On 17 January 2012, the Company completed the acquisition of an 80% interest in the Comval Project, located in the Philippines. The Comval Project is located in the established copper and gold producing region in the Compostela Valley and is close to existing infrastructure.

Other than as stated above, the Group is not aware of any of significant changes in the state of affairs.

FINANCIAL POSITION

As at 30 June 2012, the net assets of the Group are $9,785,317 (2011: $2,390,035).

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

AFTER BALANCE DATE EVENTS

On 9 July 2012, the Company announced a drilling and exploration update on ongoing drilling results from the new Bayag Bayag target on its Comval Project in the Philippines.

On 17 July 2012, the Company announced the appointment of Mr Zeffron Reeves as Managing Director of the Company and the resignation of Mr Andrew Maurice.

On 31 July 2012, the Company announced a pro rata renounceable entitlement issue of up to approximately 50,202,344 Shares on the basis of one share for every one share held by those shareholders registered at the record date at an issue price of $0.10 per share to raise up to $5,020,235. The Company released the Entitlement Issue Prospectus on 1 August 2012. On 5 September 2012 the Company issued 10,129,366 shares to applicants under Entitlement Issue. On 13 September 2012, shortfall of 14,870,634 shares was issued.

On 1 August 2012, the Company entered into a loan agreement for a borrowing of $500,000, repayment in full plus interest of 6% per annum, on the earlier of 31 October 2012 or upon the close of the entitlement issue announced 31 July 2012. The Loan and accrued interest was repaid in full on 13 September 2012. The Company also issued to the nominees of the lender a fee of 6,000,000 options exercisable at $0.20 each on or before 1 July 2014, in the same class as the Company's current listed options following shareholder approval at the Company's general meeting on 18 September 2012.

On 20 August 2012, the Company announced that recent mapping and surface sampling results have extended the prospective target area at its Comval Project.

On 11 September 2012, Philco Mining Corp ("PMC"), a 80% owned subsidiary of the Company's 100% wholly owned subsidiary, MNE Holdings Pty Ltd, confirmed the sale of its Carbon-in-Pulp Plant which has been disclosed as an asset held for sale as at 30 June 2012.

On 13 September 2012, the Company announced the results for the drilling target, Kalamatan Porphyry at its Comval copper-gold project in the Philippines.

As previously announced, if, within 24 months of settlement of the acquisition of the Comval Project, Cadan is successful in resolving a dispute, as summarised in the Prospectus, section 3.5(d), lodged December 2011, the Company must make a further $1,000,000 payment to Cadan within 6 months of the dispute being settled. In September 2012, Cadan notified the

Company that, in its view, the dispute had been settled within the terms of the agreement. Mining Group is reviewing its position and will update the market in due course.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The Directors of the Group are not aware of any breach of environmental regulations for the year under review.

The Directors have considered the National Greenhouse and Energy Reporting Act 2007 (the "NGER Act") which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Group for the current nor subsequent financial year. The Directors will reassess this position as and when the need arises.

INFORMATION ON DIRECTORS

Mr Winton Willesee Non-Executive Chairman
Qualifications: BBus, DipEd, PGDipBus, MCom, FFin, CPA, MAICD, ACIS/ACSA

Mr Willesee is an experienced company director. Mr Willesee brings a broad range of skills and experience in strategy, 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 holds a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Member of CPA Australia and a Chartered Secretary.

As well as his position with Mining Group Limited, Mr Willesee is currently the Chairman of Cove Resources Limited and BioProspect Limited, a director and company secretary of Base Resources Limited, Coretrack Limited, Newera Resources Limited and Otis Energy Limited and a director of Torrens Energy Limited.

Interests in Shares and Options: 300,000 ordinary shares and 537,500 options.

Mr Zeffron Reeves Managing Director *(appointed 17 July 2012)*
Qualifications: B.Sc (Hons) (Applied Geology), MBA, MAIG

Mr Reeves has more than 15 years geological experience, most recently working with Cleveland Mining Company Ltd as Principal Exploration Geologist, where he was responsible for the delineation of the Premier Gold Mine resource as well as several new discoveries within the Crixas greenstone belt in Brazil. He has also had discovery success in Brazil and Australia with Ashburton Minerals having delineated previously unknown mineralisation within the Pocone Goldfield, in Brazil as well as uncovering the potential of the Mt Webb copper gold project in Australia.

Mr Reeves has a broad range of experience, from grass roots exploration to underground mining. He also has extensive corporate and commercial experience gained as commercial manager for a WA based electrical engineering contracting business and in his roles with Cleveland and Ashburton, and has an MBA from the Curtin Graduate School of Business.

From Mining Group's inception, Mr Reeves has worked as a consultant to the Company, having provided technical, corporate and commercial consulting services to the Company during the Comval project acquisition process and in developing and executing the Company's current exploration programme.

Interests in Shares and Options: 167,208 ordinary shares and 5,377,500 options

Mr Robert Butchart Nominee Director *(appointed 1 March 2012)*

Mr Butchart has been involved in the mining industry for more than 25 years. He has owned and operated exploration companies and drilling rigs in Australia and overseas, and has been involved in heap leaching operations and narrow vein underground gold mines.

Mr Butchart is the President and Chief Executive Officer of Cadan Resources Corporation, from whom Mining Group recently acquired an 80% interest in the Comval Project in the Philippines.

Interests in Shares and Options: nil.

Mr Colin Johnstone Non-Executive Director *(appointed 24 May 2012)*
Qualifications: BEng (Mining)

Mr Johnstone was formerly Chief Operating Officer at both Equinox Minerals Limited, and Sino Gold Mining Limited prior to their respective acquisitions by Barrick Gold Corporation and Eldorado Gold Corporation. Most recently, he was Managing Director of Territory Resources Limited.

He is a mining engineer with over 30 years' experience in the copper, gold and metalliferous mining industries, including both large open cut and underground operations. Mr Johnstone has extensive industry experience, having served as General Manager at some of Australia's largest mines, including KCGM, Olympic Dam and Northparkes. He has successfully constructed and operated mines in offshore jurisdictions including Zambia, China, Canada, Argentina as well as Australia.

Interests in Shares and Options: 544,415 ordinary shares and 750,000 options

Mr Andrew Maurice Managing Director (*resigned 17 July 2012)*
Qualifications: BBus, GradCertMgnt, MBA, MAICD

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: 212,000 ordinary shares and 550,000 options (at resignation).

Ms Shannon Coates Non-Executive Director *(Resigned 24 May 2012)*
Qualifications: LLB, BJuris, CSA

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 585,937 options.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	***Company***	***Period of directorship***
Winton Willesee	Cove Resources Limited	June 2008 – present
	Bioprospect Limited	September 2011 – present
	Base Resources Limited	May 2007 – present
	Coretrack Limited	October 2010 – present
	Newera Resources Limited	March 2007- present
	Otis Energy Limited	January 2008 – present
	Torrens Energy Limited	March 2012 – present
	Boss Resources Limited	Ceased October 2009
	Hawkley Oil and Gas	Ceased June 2010
Zeffron Reeves	-	-
Andrew Maurice	Waratah Resources Limited	February 2008 – December 2010
Robert Butchart	Cadan Resources Corporation (TSX listed company)	May 2011 - present
Colin Johnstone	Territory Resources Limited	September 2011 – April 2012
Shannon Coates	Vmoto Limited	June 2011 – September 2011
	Artemis Resources Limited	September 2011 to present

COMPANY SECRETARY

Ms Shannon Coates
Qualifications: LLB, BJuris, CSA

Ms Coates' qualifications and experience is set out above.

REMUNERATION REPORT (AUDITED)

The full Board currently 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.

REMUNERATION REPORT (AUDITED) (Continued)

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 Non-Executive 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 and the Year Ended 30 June 2012

The remuneration for each member of the key management personnel of the Group during the year was as follows:

2012

	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Repre-sented by Options	Performance Related
	Salaries, fees & leave	Cash profit share	Non-cash benefit	Other	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	$	$	$	%	%
Winton Willesee	40,000	-	-	-	-	-	-	-	40,000	0%	0%
Andrew Maurice[4]	249,300	-	-	-	22,437	-	-	-	271,737	0%	0%
Robert Butchart[1]	-	-	-	-	-	-	-	-	-	0%	0%
Colin Johnstone[2]	17,117	-	-	-	-	-	-	-	17,117	0%	0%
Shannon Coates[3]	30,000	-	-	-	-	-	-	-	30,000	0%	0%
Perfecto E Mirador Jr[5]	20,752	-	-	-	-	-	-	15,835	36,587	43%	0%
Max Tuesley[6]	122,173	-	-	-	-	-	-	89,677	211,850	44%	0%
	479,342	-	-	-	22,437	-	-	105,512	607,291		

1 Appointed 1 March 2012
2 Appointed 24 May 2012
3 Resigned directorship 24 May 2012, Ms Coates is employed by Evolution Capital Partners, which provides the Company with Company Secretarial and office rental services. The Company paid Evolution Capital $101,655 during the period for these services.
4 Resigned 17 July 2012
5 Employment commenced 12 April 2012 with the Company's subsidiary, Philco Mining Corp in the Philippines. The company paid Mr Mirador $18,800 in consulting fees to Mirador Consultancy Services Ltd a company associated with Mr Mirador.
6 Employment commenced 1 April 2012 with the Company's subsidiary, Philco Mining Corp in the Philippines. The company paid Mr Tuesley $118,268 in consulting fees to Dragon Compass Ltd a company associated with Mr Tuesley

REMUNERATION REPORT (AUDITED) (Continued)

2011

	Short-term Benefits				Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Repre-sented by Options	Performance Related
	Salaries, fees & leave	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

350,000 options were granted to key management persons of the Company as remuneration during the year (2011: nil). 300,000 to Max Tuesley and 50,000 to Perfecto E Mirador. These options vested immediately and the full value as per Black Scholes valuation, detailed in Note 26, has been included as part of their remuneration in the report above.

Shares Issued on Exercise of Options

52,343 (2011: nil) fully paid ordinary shares have been issued as a result of the exercise of options during or since the end of the financial year. No other options have been exercised, lapsed or expired.

Employment contracts of Key Management Personnel

Managing Director

On 17 July 2012, the Company entered into an Executive Employment Agreement ("Executive Employment Agreement") with Managing Director, Mr Zeffron Reeves, ("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: $300,000 per annum plus statutory superannuation

(b) Subject to shareholder approval, the Company will issue the Executive a total of 3,750,000 options to be issued on the following material terms and conditions:

- 1,000,000 options exercisable at 20 cents each on or before 1 July 2015. The options will vest if and when a 30 million tonne JORC compliant resource at grades determined to be economically viable and to be used as the basis of a scoping study is defined with respect to the Comval Project.
- 1,250,000 options exercisable at 20 cents each on or before 1 July 2015. The options will vest if and when the trading price of the Company's shares is 50 cents or greater for more than 30 consecutive trading days on which the shares in the Company trade;
- 1,500,000 options exercisable at 20 cents each on or before 1 July 2015. The options will vest on completion of a positive scoping study with respect to the Comval Project.

(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.

REMUNERATION REPORT (AUDITED) (Continued)

Employment contracts of Key Management Personnel (continued)

Managing Director (continued)

(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.

(Former) Managing Director

On 14 March 2011, the Company entered into an Executive Employment Agreement ("Executive Employment Agreement") with former 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.
Mr Maurice resigned 17 July 2012.

Chief Finance and Legal Officer – Philippines

On 12 April 2012, the Company entered into a Consultancy Agreement ("Agreement") with Perfecto E. Mirador, Jr, Chief Finance and Legal Officer ("Executive") of the Company's 80% owned subsidiary, Philco Mining Corp. Details of the Agreement are as follows:

(a) Remuneration: AUD $132,000 per annum

(b) Subject to shareholder approval, the Company will issue the Executive a total of 250,000 options to be issued on the following material terms and conditions:

- 50,000 Options exercisable at $0.60 per option on or before the 3rd anniversary of the Commencement date. These options will be issued on the Commencement date. The issue of the options may be subject to shareholder approval.
- 100,000 Options exercisable at $1.00 per option on or before the 3rd anniversary of the Commencement date. These options will be issued on a JORC inferred resource of 100Mt. The issue of the options may be subject to shareholder approval.
- 100,000 Options exercisable at $1.50 per option on or before June 30 2016. These options will be issued on the completion of a positive feasibility study and acquisition of all required permitting to allow mining. The issue of the options may be subject to shareholder approval.

REMUNERATION REPORT (AUDITED) (Continued)

Chief Finance and Legal Officer – Philippines (continued)

(c) Termination by the Executive: The Executive may terminate the 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 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 two month's written notice to the Company without providing a reason for termination.

(d) Termination by the Company: The Company may terminate Agreement by the Company giving two month's written notice to the Executive without needing to provide any reason for termination.

Exploration Manager - Philippines

On 1 April 2012, the Company entered into a Consultancy Agreement ("Agreement") with Max Tuesley, Exploration Manager ("Executive") of the Company's 80% owned subsidiary, Philco Mining Corp. Details of the Agreement are as follows:

(a) Remuneration: AUD $176,000 per annum

(b) Subject to shareholder approval, the Company will issue the Executive a total of 1,000,000 options to be issued on the following material terms and conditions:
  - 300,000 Options exercisable at $0.60 per option on or before the 3rd anniversary of the Commencement date. These options will be issued on the Commencement date and are to be escrowed for 1 years.
  - 250,000 Options exercisable at $0.60 per option on or before the 3rd anniversary of the Commencement date. These options will be issued on a JORC inferred resource of 30Mt with an average grade of at least 0.85% Cu equivalent. (based on March 1 2012 LME close metal prices). The issue of the options may be subject to shareholder approval.
  - 300,000 Options exercisable at $0.75 per option on or before June 30 2016. These options will be issued on a JORC inferred resource of 50Mt with an average grade of at least 0.85% Cu equivalent. (based on March 1 2012 LME close metal prices). The issue of the options may be subject to shareholder approval.
  - 150,000 Options exercisable at $1.00 per option on or before June 30 2016. These options will be issued on a JORC inferred resource of 75Mt with an average grade of at least 0.85% Cu equivalent. (based on March 1 2012 LME close metal prices). The issue of the options may be subject to shareholder approval.

(c) Termination by the Executive: The Executive may terminate the 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 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 Agreement by the Company giving one month's written notice to the Executive without needing to provide any reason for termination.

REMUNERATION REPORT (AUDITED) (Continued)

Non-Executive Directors' Letters of Appointment

Other than as set out below, Non-Executive Directors are entitled to $40,000 per annum in Director's fees, with the Chairman being entitled to $60,000 per annum.

On 24 May 2012 Mr Johnstone was appointed Non-Executive Director with fees payable based on $1,500 per day (exc GST) on an ad hoc basis commencing the date of appointment , together with 500,000 unlisted options exercisable at 45 cents on or before 15 July 2014, subject to shareholder approval. Shareholder approval was received on 18 September 2012 and the options were issued to nominees of Mr Johnstone on that date.

On 1 March 2012 Mr Butchart was appointed Nominee Non-Executive Director of the Company with fees payable by the representative company, being Cadan.

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.

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

Meetings of Directors

During the year, 13 scheduled meetings of Directors were held. Attendances by each Director during the financial year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number Attended**
Directors		
Winton Willesee	13	12
Zeffron Reeves	0	0
Andrew Maurice	13	13
Shannon Coates	13	12
Colin Johnstone	1	1
Rob Butchart	3	3

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.

The Company currently has a directors' and officers' liability insurance in place. A premium has been paid for cover period from 16 June 2012 to 16 June 2013. The Company and Directors paid premiums are based on normal commercial terms and conditions to insure all Directors, officers and employees of the Company against the costs and expenses in defending claims against the individual while performing services for the Company.

Options

At the date of this report, there are 34,422,230 unissued ordinary shares of Mining Group Limited under option as follows:

Grant Date	Date of Expiry	Exercise price	Number under option
3 May 2011	1 July 2014	$0.20	1,500,000[1]
17 November 2011	1 July 2014	$0.20	9,922,230
17 January 2012	1 July 2014	$0.20	12,000,000
18 April 2012	28 February 2014	$0.55	400,000
14 May 2012	1 April 2015	$0.60	300,000[2]
14 May 2012	14 May 2015	$0.60	50,000
18 September 2012	15 July 2014	$0.45	500,000
18 September 2012	1 July 2015	$0.20	3,750,000
18 September 2012	1 July 2014	$0.20	6,000,000

[1] Held in escrow until 1 July 2013
[2] Held in escrow until 1 April 2013

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 year.

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year 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.

No fees were paid or payable to the external auditors for non-audit services during the year (2011: $7,055).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 25 of this Annual Report.

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

WINTON WILLESEE
Non-Executive Chairman

DATED this 28th day of September 2012

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 with 2010 Amendments", established by the ASX Corporate Governance Council and published by the ASX in June 2010.

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:

(a) appointment, evaluation, rewarding and if necessary the removal of the Managing Director, and Chief Financial Officer (or equivalent) and the Company Secretary;

(b) 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;

(c) establishing appropriate levels of delegation to the Managing Director to allow him to manage the business efficiently;

(d) 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;

(e) monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;

(f) via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;

(g) overseeing the management of safety, occupational health and environmental matters;

(h) 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;

(i) 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;

(j) to ensure that appropriate internal and external audit arrangements are in place and operating effectively;

(k) 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

(l) 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 three 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 2012 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 half of the Directors are not independent.

Currently the Board is comprised of two independent Directors, Winton Willesee and Cobb Johnstone, and two non-independent Directors, Zeffron Reeves who acts in an executive capacity as the Managing Director, and Robert Butchart, who is the Chief Executive Officer of Cadan Resources Corporation, which is a major shareholder of Mining Group Limited. Notwithstanding that the current composition of the board does not meet the requirements of ASX principle 2, 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 13 scheduled meetings during the reporting year and no unscheduled meetings were held during that year.

The attendance of Directors at Board meetings during the year ended 30 June 2012 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 took place in March 2012.

The Managing Director is responsible for assessing the performance of the key executives within the Company.

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.

On 25 May 2012, subject to shareholder approval, the Company agreed to issue 500,000 Options to Non-Executive Director Mr Cobb Johnstone. Shareholder approval was subsequently received on 18 September 2012. The Company acknowledges that the guidelines to ASX Principle 8 recommend that Non-Executive Directors do not receive options. However under the Company's current circumstances, the Directors considered the issue to be a cost effective and efficient means for the Company to provide a reward and incentive, as opposed to alternative forms of incentive, such as the payment of additional cash consideration that would be necessary for someone with the experience of Mr Johnstone.

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 year.

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:

(a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
(b) 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;
(c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
(d) 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:

(a) effectiveness and efficiency in the use of the Company's resources;
(b) compliance with applicable laws and regulations; and
(c) 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 and Chief Financial Officer have confirmed in writing to the Board that:

(a) 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.
(b) the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board;
(c) 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.

To provide an accurate reflection of the proportion of women across the whole organisation, the Company has opted to include contractors, casual and part-time employees in the statistics below, which show the proportion of women in the organisation as at the date of this report:

Board	Nil
Senior Executives	25%
Employees/Contractors	17%

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.

The Company prohibits Directors and employees from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration schemes.

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:

a) continuous disclosure to relevant stock markets of all material information;

b) periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of corporate activities;

c) notices of meetings and explanatory material;

d) the annual general meeting;

e) periodic newsletters or letters from the Chairman or Managing Director; and

f) 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.

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28 September 2012

The Directors

Mining Group Limited
Ground Floor,
3 Richardson Street,
WEST PERTH WA 6005

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 year ended 30 June 2012, 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)

John Van Dieren
Director

Statement of Consolidated Comprehensive Income

for the year ended 30 June 2012

	Note	Consolidated Year Ended 30 June 2012 $	9 February 2011 to 30 June 2011 $
Interest revenue		68,002	-
Administrative expenses		(61,495)	(17,751)
Consultancy and legal expenses		(275,135)	(1,857)
Compliance and regulatory expenses		(266,848)	(10,153)
Equity based payments		(105,512)	-
Exploration expenses		(282,859)	-
Depreciation and amortisation expenses		(2,307)	-
Director and employee related expenses		(445,755)	(27,080)
Gain/(loss) on foreign currency		88,168	-
Impairment of financial assets held for sale		(140,448)	-
Other expenses		(257,797)	(11,217)
Loss before income tax expense		(1,681,986)	(68,058)
Income tax expense	4	(73,424)	-
Loss for the year		(1,755,410)	(68,058)
Other comprehensive income		146,064	-
Total comprehensive loss for the year (net of tax)		(1,609,346)	(68,058)
Loss attributable to:			
Members of the parent entity		(1,758,314)	-
Non-controlling interest		2,904	-
		(1,755,410)	-
Total Comprehensive loss attributable to:			
Members of the parent entity		(1,612,250)	-
Non-controlling interest		2,904	-
		(1,609,346)	-
Earnings per share			
Basic loss per share (cents)	5	(4.93)	(0.69)
Diluted loss per share (cents)	5	(4.93)	(0.69)

The accompanying notes form part of these financial statements.

Statement of Consolidated Financial Position

as at 30 June 2012

	Note	Consolidated 2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	6	877,746	2,573,939
Assets held for sale	7	1,498,427	-
Other receivables	8	321,011	13,180
TOTAL CURRENT ASSETS		2,697,184	2,587,119
NON CURRENT ASSETS			
Fixed assets	9	65,023	-
Exploration costs	10	20,069,142	77,186
Other non-current assets	11	52,455	-
TOTAL NON CURRENT ASSETS		20,186,620	77,186
TOTAL ASSETS		22,883,804	2,664,305
CURRENT LIABILITIES			
Trade and other payables	12	799,757	272,722
Provisions	13	25,766	1,548
TOTAL CURRENT LIABILITIES		825,523	274,270
NON CURRENT LIABILITIES			
Deferred taxes payable		229,574	-
Loans payable	14	12,043,390	-
TOTAL NON CURRENT LIABILITIES		12,272,964	274,270
TOTAL LIABILITIES		13,098,487	274,270
NET ASSETS		9,785,317	2,390,035
EQUITY			
Issued capital	15	8,899,657	2,458,093
Reserves	18	2,752,006	-
Non-Controlling Interest		(39,974)	-
Accumulated losses		(1,826,372)	(68,058)
TOTAL EQUITY		9,785,317	2,390,035

The accompanying notes form part of these financial accounts

Statement of Consolidated Cash Flows

for the year ended 30 June 2012

	Note	Consolidated Year Ended 30 June 2012 $	9 February 2011 to 30 June 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest revenues		68,002	-
Payments to suppliers and employees		(1,252,872)	(25,011)
Net cash used in operating activities	20(b)	(1,184,870)	(25,011)
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant & Equipment at cost		(28,081)	-
Exploration and evaluation		(2,853,001)	(44,143)
Acquisition Comval project		(3,344,563)	-
Net cash used in investing activities		(6,225,645)	(44,143)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equities		6,110,215	2,750,110
Capital raising costs		(395,893)	(107,017)
Net cash provided by financing activities		5,714,322	2,643,093
Net increase in cash held		(1,696,193)	2,573,939
Cash and cash equivalents at the beginning of the financial year		2,573,939	-
Cash and cash equivalents at the end of the financial year	20(a)	877,746	2,573,939

The accompanying notes form part of these financial accounts

Statement of Consolidated Changes in Equity

for the year ended 30 June 2012

	Note	Attributable to the owners of the parent: Issued Capital $	Reserves $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at incorporation 9 February 2011		-	-	-	-	-	-
Loss for the period		-	-	(68,058)	(68,058)	-	(68,058)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the period		-	-	(68,058)	(68,058)	-	(68,058)
Transactions with owners							
Shares issued during the period (net of capital raising costs)	15	2,458,093	-	-	2,458,093	-	2,458,093
Balance at 30 June 2011		2,458,093	-	(68,058)	2,390,035	-	2,390,035
Loss for the year		-	-	(1,758,314)	(1,758,314)	2,904	(1,755,410)
Other comprehensive income		-	139,737		139,737	(1,582)	138,155
Total comprehensive loss for the year		-	139,737	(1,758,314)	(1,618,577)	1,322	(1,617,255)
Transactions with owners							
Non-Controlling interest at acquisition		-	-	-	-	(41,296)	(41,296)
Issue of options		-	2,612,269	-	2,612,269	-	2,612,269
Shares issued during the year (net of capital raising costs)	15	5,511,564	-	-	5,511,564	-	5,511,564
Shares issued – Comval Project acquisition	15	930,000	-	-	930,000	-	930,000
Balance at 30 June 2012		8,899,657	2,752,006	(1,826,372)	9,825,291	(39,974)	9,785,317

The accompanying notes form part of these financial accounts

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Mining Group Limited and controlled entities ("consolidated entity"). The separate financial statements and notes of Mining Group Limited as an individual parent entity ("Company") have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 28 September 2012 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.

The financial report covers Mining Group Limited and its subsidiaries, and has been prepared in Australian dollars. Mining Group Limited is a listed public company, incorporated and domiciled in Australia.

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. Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review, the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

b. Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured 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 (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

c. Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

d. Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. 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.

f. 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.

g. 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial instruments (continued)

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.

h. 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.

i. 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.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the loss is recognised in profit or loss.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment (continued)

(i) Financial assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss

j. 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.

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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

l. 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.

m. Revenue Recognition

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

Interest income

Interest income 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).

n. Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

o. Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated over the estimated useful life of the assets using the Straight line method as follows:

Plant and equipment – 2 - 5 years
Furniture and Fixtures – 2 - 5 years
Computer equipment – 2 - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Plant and equipment (continued)

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

p. Trade and payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

q. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r. 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.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Critical Accounting Estimates and Judgments (continued)

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 Group 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(e).

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.

s. 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.

t. Foreign currency translation

Both the functional and presentation currency of Mining Group Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operation, Philco Mining Corporation is Philippines peso, "Php".

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Foreign currency translation (continued)

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Mining Group Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.
The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

u. Comparative Figures

The Company was incorporated on 9 February 2011. The comparative figures are in respect of the period from incorporation to 30 June 2011 and comprise the figures for the Company only, as the Company did not have any subsidiaries in the period to 30 June 2011.

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION

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

Winton Willesee	Non-Executive Chairman
Andrew Maurice	Executive Director
Robert Butchart	Non-Executive Director *(appointed 1 March 2012)*
Colin Johnstone	Non-Executive Director *(appointed 24 May 2012)*
Shannon Coates	Company Secretary (*resigned directorship 24 May 2012)*
Perfecto E Mirador Jr	Chief Finance and Legal Officer - Philippines *(appointed 12 April 2012)*
Max Tuesley	Exploration Manager - Philippines (*appointed 1 April 2012)*

30 June 2012 **Number of Shares Held by Key Management Personnel**

Key Management Person	Balance at 30.6.2011	Received as Compensation	Options Exercised	Net Change Other	Balance on Resignation	Balance 30.6.2012
Winton Willesee	150,000	-	-	-	-	150,000
Andrew Maurice	200,000	-	-	12,000	-	212,000
Robert Butchart[2]	-	-	-	-	-	-
Colin Johnstone[3]	-	-	-	-	-	-
Shannon Coates[1]	343,751	-	-	-	-	343,751
Perfecto E Mirador Jr[4]	-	-	-	-	-	-
Max Tuesley[5]	-	-	-	-	-	-
	693,751	-	-	12,000	-	705,751

[1] Resigned as non-executive director 24 May 2012
[2] appointed 1 March 2012
[3] appointed 24 May 2012
[4] appointed 12 April 2012 to the Company's subsidiary, Philco Mining Corp.
[5] appointed 1 April 2012 to the Company's subsidiary, Philco Mining Corp.

NOTE 2. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

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

30 June 2012 **Number of Options Held by Key Management Personnel**

Key Management Person	Balance 30.6.2011	Granted as compensation	Options Exercised	Net Change Other	Balance 30.6.2012	Total 30.6.2012
Winton Willesee	500,000	-	-	37,500	537,500	537,500
Andrew Maurice	500,000	-	-	50,000	550,000	550,000
Robert Butchart[3]	-	-	-	-	-	-
Colin Johnstone[4]	-	-	-	-	-	-
Shannon Coates[2]	500,000	-	-	85,937	585,937	585,937
Perfecto E Mirador Jr[5]	-	-	-	50,000	50,000	50,000
Max Tuesley[6]	-	-	-	300,000	300,000	300,000
	1,500,000	-	-	523,437	2,023,437	2,023,437

30 June 2011 **Number of Options Held by Key Management Personnel**

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
[2] Resigned directorship 24 May 2012
[3] Appointed 1 March 2012
[4] Appointed 24 May 2012
[5] appointed 12 April 2012 to the Company's subsidiary, Philco Mining Corp.
[6] appointed 1 April 2012 to the Company's subsidiary, Philco Mining Corp.

There have been no other transactions involved equity instruments other than those described in the tables above.

	2012 $	2011 $
Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.		
Short-term employee benefits	479,342	24,972
Post-employment benefits	22,437	2,247
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	105,512	-
	607,291	27,219

NOTE 3. AUDITOR'S REMUNERATION		2012 $	2011 $
Remuneration of the auditor for:			
– Auditing or reviewing the financial report		30,606	10,000
– Corporate services		-	7,055
		-	17,055

NOTE 4. INCOME TAX

		2012 $	2011 $
a) Income tax expense			
Current tax		-	-
Deferred tax		73,424	-
Income tax expense (benefit)		73,424	-
Deferred income tax expense included in income tax expense comprises:			
(a) (Increase) in deferred tax assets recognised in Australian entities		(30,865)	(23,156)
(b) Increase in deferred tax liabilities recognised in Australian entities		30,865	23,156
(c) Increase in deferred tax liabilities recognised in Philco Mining Corp		73,424	23,156
		73,424	-
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%		(526,623)	(20,417)
Add / (Less)			
Tax effect of:			
Non-deductible expenses		172,909	-
Non-assessable income – Philco Mining Corp		(4,356)	-
Tax losses and timing differences not recognised		358,069	20,417
Income tax attributable to operating loss recognised in Australian entities		-	-
Temporary differences recognised in Philco Mining Corp income tax expense/(benefit)		73,424	-
The applicable weighted average effective tax rates are as follows:		Nil%	Nil%
c) Deferred tax assets			
Tax Losses recognised in Australian entities		456,489	20,417
Tax Losses recognised in Philco Mining Corp		36,433	20,417
Provisions		13,730	464
Other		58,894	2,275
		565,546	23,156
Set-off deferred tax liabilities	4(d)	(54,021)	(23,156)
Deferred tax asset not recognised		(511,525)	-
Net deferred tax assets		-	-

NOTE 4. INCOME TAX (continued)		2012 $	2011 $
d) **Deferred tax liabilities**			
Exploration expenditure		51,193	23,156
Exploration expenditure		2,828	-
		54,021	23,156
Set-off deferred tax assets	4(c)	(54,021)	(23,156)
Net deferred tax liabilities		-	-
e) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		456,489	20,417

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2012 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 Group 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 Group continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 5. EARNINGS PER SHARE

	2012	2011
a) Loss used to calculate basic EPS	(1,755,410)	(68,058)
	Number of Shares	**Number of Shares**
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	35,619,119	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 year.

NOTE 6. CASH AND CASH EQUIVALENTS

	2012	2011
Cash at bank and in hand	877,746	2,573,939

NOTE 7. ASSETS HELD FOR SALE

	2012	2011
The subsidiary, Philco Mining Corporation reclassified its Carbon-in-Pulp plant from “property and equipment” to “assets held for sale” at 31 December 2011, net of accumulated depreciation.	1,498,427	-

As of 31 August 2012, the Carbon-in-Pulp plant asset has been disposed in the amount of AUD $1,498,427.

NOTE 8. OTHER RECEIVABLES	2012 $	2011 $
GST/VAT receivable	191,496	13,180
Other receivables	129,515	-
	321,011	13,180

NOTE 9. FIXED ASSETS

(a) Carrying amounts

	2012 $	2011 $
Furniture and Fittings – at cost	5,582	-
Accumulated depreciation	(145)	-
	5,437	-
Computer Equipment – at cost	26,696	-
Accumulated depreciation	(2,263)	-
	24,433	-
Plant and Equipment – at cost	64,472	-
Accumulated depreciation	(50,931)	-
	13,541	-
Office Equipment – at cost	25,699	-
Accumulated depreciation	(4,087)	-
	21,612	-
	65,023	-

(b) Movements in carrying amounts

Movements in the carrying amounts of each class of fixed assets between the beginning and the end of the year:

	Furniture & Fittings $	Computer Equipment $	Plant & Equipment $	Office Equipment $	Total $
2012 year					
Balance at 1 July 2011 net of accumulated depreciation	-	-	-	-	-
Additions	5,582	26,696	64,472	25,699	122,449
Depreciation charge for the year	(145)	(2,263)	(50,931)	(4,087)	(57,426)
Balance at 30 June 2012 net of accumulated depreciation	5,437	24,433	13,541	21,612	65,023

NOTE 10. EXPLORATION EXPENDITURE	2012 $	2011 $
Costs carried forward in respect to areas of interest:		
Exploration expenditure capitalised – at cost	20,069,142	77,186
Brought forward	77,186	-
Exploration expenditure capitalised	2,865,303	77,186
Acquisition of Comval Project	17,126,652	-
Write-off during the year	-	-
Balance at reporting date	20,069,142	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.

NOTE 11. OTHER NON-CURRENT ASSETS	2012 $	2011 $
Security Deposit	1,760	-
Bond – Drill Rig	50,695	-
	52,455	-

NOTE 12. TRADE AND OTHER PAYABLES	2012 $	2011 $
Trade creditors	374,515	18,403
Other payables and accruals	425,242	254,319
Total payables and accruals	799,757	272,722

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

NOTE 13. PROVISIONS	2012 $	2011 $
Annual leave	25,766	-

NOTE 14. LOANS PAYABLE	2012 $	2011 $
Loans payable	12,043,390	-

The loan payable represents advances from the former Parent, Cadan Resources Corporation, of Philco Mining Corporation. Details of the terms of this loan are as follows:

On January 17, 2012, MNE Holdings Pty Ltd, Mining Group Limited, Philco Holdings Inc, and Cadan Resources Corporation entered into a Shareholders Agreement with the Philco Mining Corp.

Significant provisions are as follows:

a) Loan from Cadan and MPL shareholders loan shall accrue interest based on London Interbank offered Rate (LIBOR) and a margin of three percent (3%) per annum; accruing upon commencement of commercial production.
b) Except as the Shareholders may otherwise agree in writing subsequent to the execution of the Agreement, both the Loan from Cadan and the MPL shareholder's loan shall be non-recourse to the Company;
c) Cadan Resources Corporation, Philco Holdings Inc., and MNE Holdings will not have the right to demand repayment from PMC; and
d) The Loan from Cadan and MPL Shareholders' Loan will only be paid within 12 months from commercial production.

NOTE 15. ISSUED CAPITAL	2012 $	2011 $
50,202,344 (2011: 26,050,001) Fully paid ordinary shares (net of capital raising costs of $498,905 (2011: $322,017)	8,899,657	2,458,093

The Company has issued capital amounting to 50,202,344 (2011: 26,050,001) with no par value.

	2012		2011	
a) Ordinary Shares	$	Number	$	Number
At the beginning of the reporting period	2,458,093	26,050,001	-	-
Shares issued during the period				
– 9 February 2011 (at $1) for cash	-	-	1	1
– 14 March 2011 (at $0.00001 each) for cash	-	-	4	450,000
– 21 March 2011 (at $0.00001 each) for cash	-	-	105	10,450,000
– 8 April 2011 (at 10 cents each) for cash	-	-	250,000	2,500,000
– 22 June 2011 (at 20 cents each) for tenement acquisition	-	-	30,000	150,000
– 24 June 2011 (at 20 cents each) for cash	-	-	2,500,000	12,500,000
– 28 November 2011 Option conversion	250	1,250	-	-
– 5 January 2012 Option conversion	1,000	5,000	-	-
– 17 January 2012 Comval vendor	150,000	500,000	-	-
– 17 January 2012 Comval Consideration	780,000	2,600,000	-	-
– 17 January 2012 Share placement	3,000,000	15,000,000	-	-
– 27 January 2012 Option conversion	7,219	36,093	-	-
– 3 February 2012 Option conversion	2,000	10,000	-	-
– 29 March 2012 Placement tranche 1	1,500,000	3,000,000	-	-
– 18 April 2012 Placement tranche 2	1,500,000	3,000,000	-	-
– Capital raising costs	(498,905)	-	(322,017)	-
At reporting date	8,899,657	50,202,344	2,458,093	26,050,001

NOTE 15. ISSUED CAPITAL (continued)

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 2012 is disclosed in Note 16.

NOTE 16. WORKING CAPITAL	**2012 $**	**2011 $**
Cash and cash equivalents	877,746	2,573,939
Trade and other receivables	321,011	13,180
Trade and other payables and provisions	(825,523)	(274,270)
Working capital position	373,234	2,312,849

NOTE 17. COMMITMENTS	**2012 $**	**2011 $**
a) The Company has tenements rental and expenditure commitments of:		
Payable:		
– not later than 12 months	2,096	96,480
– between 12 months and 5 years	-	60,000
– greater than 5 years	-	-
	2,096	156,480

Refer to note 28 for further details on exploration commitments.

b) The Company has no operating lease commitments as they are currently leasing under a monthly tenancy.

NOTE 18. RESERVES

Option reserve

	2012 $	2011 $
Balance at beginning of year	-	-
Share-based payment – Comval project	2,304,000	-
Capital raising	202,757	-
Share-based payment – employees/consultants	105,512	-
	2,612,269	-

Foreign exchange reserve

	2012 $	2011 $
Balance at beginning of year	-	-
Change in reserve	139,737	-
	139,737	-
Balance at 30 June	2,752,006	-

NOTE 19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

On 17 January 2012, the Company's 100% wholly owned subsidiary, MNE Holdings Pty Ltd ("MNE"), acquired 80% of the voting shares of Philco Mining Corp ("PMC"), a company registered in the Philippines.

As part of the facilitation agreement the following contingencies may have to be met. For further details refer to the Prospectus lodge 22 December 2011.

a) When (and if) the Company's share price trades at or above $1 for 30 consecutive days, issue to Cadan 2,600,000 fully paid ordinary shares; and

b) If, within 24 months of settlement of the Acquisition (which period may be extended by up to a further 24 months). Cadan is successful in resolving the dispute as summarised in the Prospectus, section 3.5(d), lodged December 2011, the Company must make a further $1,000,000 payment to Cadan within 6 months of the dispute being settled. Cadan subsequently notified the Company that, in its view, the dispute had been settled within the terms of the agreement. Mining Group is reviewing its position and will update the market in due course.

c) Philco shall pay G. Lluch a production royalty ("Royalty") of CAD$2.00 per ounce of gold and a Gold equivalent produced from a Philippine Government approved Commercial Production from the Mineral Properties. From the date of Commercial Production until the date the Royalty takes effect, a quarterly Royalty of CAD $25,000, in advance, shall be paid to G. Lluch. For valuable consideration, and under such terms and conditions as the Parties may agree, G. Lluch grants either to Philco or MNE, the option to purchase the Royalty from G. Lluch by paying the latter a fair and equitable once-only royalty payout by either of Philco or MNE of not less than CAD $2,000,000 which option may be exercised by either of Philco or MNE at any time prior to the commencement of any Philippine Government approved Commercial Production.

Mining Group Limited to pay Cygnet Capital, or its nominee a 3% Net Profit Royalty (NPR), payable on Mining Group's interest in PMC. The royalty should be calculated only when Mining Group is profitable for 8 years, not necessarily consecutively.

NOTE 19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

Further, the Company has agreed to issue the following unlisted options, subject to the applicable criteria being met:

Number to be issued	Option Class	Applicable criteria
250,000	Class C - $0.60 1 April 2015	On a JORC interred resource of 30 million tonnes with an average grade of at least 0.85% Cu equivalent
300,000	Class E - $0.75 30 June 2016	On a JORC interred resource of 50 million tonnes with an average grade of at least 0.85% Cu equivalent
150,000	Class F - $1.00 30 June 2016	On a JORC interred resource of 75 million tonnes with an average grade of at least 0.85% Cu equivalent
100,000	Class G - $1.00 14 May 2015	On a JORC interred resource of 100 million tonnes with an average grade of at least 0.85% Cu equivalent
100,000	Class H - $1.50 30 June 2016	To be issued on completion of a positive feasibility study and acquisition of all required permitting to allow mining.

In the opinion of the directors there were no further contingent liabilities at 30 June 2012, and the interval between 30 June 2012 and the date of this report.

NOTE 19. CASH FLOW INFORMATION

a) **Reconciliation of Cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	877,746	2,573,939

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

Operating loss after income tax	(1,755,410)	(68,058)
Non-cash flows in loss from ordinary activities		-
Depreciation	2,307	-
Share-based payments	105,512	-
Exploration expense	282,859	-
Impairment of assets	140,448	-
Foreign exchange differences	(139,737)	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(307,831)	(13,180)
Increase/(decrease) in trade and other payables	461,216	54,679
Increase/(decrease) in provisions	25,766	1,548
Net Cash Flow from/(used in) Operating Activities	(1,184,870)	(25,011)

Non Cash Financing and investing Activities

i) Share Issue

On 17 January 2012, the Company issued of 2,600,000 fully paid ordinary shares at $0.30 each to Cadan Resources Corp pursuant to the agreement to acquire 80% of Philco Mining Corp.

ii) Option Issue

On 17 January 2012, the Company issued of 12,000,000 options, exercisable at $0.20 expiring on 1 July 2013, pursuant to the agreement in respect of the acquisition of 80% of Philco Mining Corp at a deemed value of $0.192 each.

On 18 April 2012, the Company issued 400,000 options, exercisable at $0.55 each expiring 28 February 2014, to Cygnet Capital in lieu of capital raising fees with a total value of $103,011.

NOTE 19. CASH FLOW INFORMATION

On 14 May 2012, the Company issued 300,000 and 50,000 Class C and D, respectively, options to consultants, excisable at $0.60 expiring 1 April 2015 and 14 May 2015, respectively. These options were issued at a deemed value of $0.299 and $0.317 each, respectively.

NOTE 20. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The consolidated financial statements include the financial statements of Mining Group Limited and the subsidiaries listed in the following table:

Name	Country of incorp-oration	Equity interest 2012	Equity interest 2011	Investment 2012	Investment 2011
		%	%	$	$
Phil-Aust Holdings Pty Ltd	Australia	100	0	1	-
MNE Pty Ltd	Australia	100	0	1	-
Philco Mining Corp (PMC)	Philippines	80	0	6,578,563	-
				6,578,565	-

(b) Loans to subsidiaries

	Parent 2012	Parent 2011
	$	$
To MNE Pty Ltd from Mining Group Limited	9,187,929	-
To PMC from MNE Pty Ltd	2,157,266	-
	11,345,195	-

The loan to the subsidiaries are interest free and are repayable on call.

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

NOTE 21. PARENT ENTITY DISCLOSURES

Financial Position

	2012	2011
	$	$
Assets		
Current assets	861,163	2,587,119
Non-current assets	9,378,648	77,186
Total assets	10,239,811	2,664,305
Liabilities		
Current liabilities	280,575	274,270
Total liabilities	280,575	274,270
NET ASSETS	9,959,236	2,390,035
Equity		
Issued capital	8,899,657	2,458,093
Reserves	2,612,269	-
Accumulated losses	(1,552,690)	(68,058)
Total equity	9,959,236	2,390,035

NOTE 22. FINANCIAL INSTRUMENTS

a) **Financial Risk Management**

The Group'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 Group's operations.

Derivatives are not currently used by the Group for hedging purposes. The Group 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	2012 $	2011 $
Financial Assets			
Cash and cash equivalents	6	877,746	2,573,939
Other receivables	8	321,011	13,180
Total Financial Assets		1,198,757	2,587,119
Financial Liabilities			
Trade and other payables	12	799,757	272,722
Loans payable	14	12,043,390	272,722
Total Financial Liabilities		12,843,147	272,722

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

Currency Risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Group. The Group deposits are denominated in both Philippines Peso and Australian dollars. At the year end the majority of deposits were held in Canadian dollars. Currently there are no foreign exchange programs in place. The Group treasury function manages the purchase of foreign currency to meet operational requirements. The impact of reasonably possible changes in foreign exchange rates for the Group is not material.

Sensitivity analysis

At 30 June 2012, 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 Group would have been $6,583 lower/higher as a result of lower/higher interest income from cash and cash equivalents.

NOTE 23. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group 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 Group 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.

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 Group 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	2012 $	2011 $
Cash and cash equivalents			
— AA Rated	6	877,746	2,573,939
		877,746	2,573,939

Market Risk – Equity/Securities Price Risk

The Group 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 Group'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: 1 Year or Less	Fixed Interest Rate: 1 to 5 Years	Non Interest Bearing	Total	Weighted Effective Interest Rate
	2012 $	2012 $	2012 $	2012 $	2012 $	2012 %
Financial Assets						
Cash	877,746	-	-	-	877,746	1.32%
Trade & receivables	-	-	-	321,011	321,011	N/A
Total Financial Assets	877,746	-	-	321,011	1,198,757	
Financial Liabilities						
Trade & other payables	-	-	-	799,757	799,757	N/A
Loans payable	-	-	-	12,043,390	12,043,390	N/A
Total Financial Liabilities	-	-	-	12,843,147	12,843,147	

NOTE 23. FINANCIAL INSTRUMENTS (continued)

c) **Interest Rate Risk (continued)**

	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	0.0%
Trade & other receivables	-	-	-	13,180	13,180	N/A
Total Financial Assets	2,573,939	-	-	13,180	2,587,119	
Financial Liabilities						
Trade & other payables	-	-	-	272,722	272,722	N/A
Total Financial Liabilities	-	-	-	272,722	272,722	

NOTE 24. OPERATING SEGMENTS

Identification of reportable segments

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

The Group 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 Group.

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 Group as a whole and are not allocated. Segment liabilities include trade and other payables.

NOTE 24. OPERATING SEGMENTS (Continued)

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.

	Corporate	Australia Exploration	Philippines Exploration	Total
	$	$	$	$
(i) Segment performance				
30 June 2012				
Total segment revenue	68,002			68,002
Total segment expenses	-			-
Segment net profit/(loss) before tax	68,002			68,002
Reconciliation of segment result to group net loss				
Unallocated items				
Other revenue				-
Other expenses				(1,823,412)
Net loss before tax from continuing operations				(1,755,410)

(ii) Segment assets	Corporate	Australia Exploration	Philippines Exploration	Total
30 June 2012	$	$	$	$
Segment assets				
Total segment assets	877,746	170,643	21,449,381	22,497,770
Acquisitions			6,578,563	
Unallocated Assets				
Trade and other receivables				321,011
Other unallocated Assets				65,023
Total group assets				22,883,804

NOTE 24. OPERATING SEGMENTS (Continued)

(iii) Segment liabilities

	Corporate	Australia Exploration	Philippines Exploration	Total
30 June 2012	**$**	**$**	**$**	**$**
Segment liabilities	246,981	-	127,534	374,515
Total segment liabilities				
Unallocated liabilities				
Deferred tax liability	229,574			229,574
Loan Payable			12,043,390	12,043,390
Payroll and other payables	451,008			451,008
Total group liabilities				13,098,487

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

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

NOTE 24. OPERATING SEGMENTS (Continued)

(iii) Segment liabilities

30 June 2011	Australia Exploration $	Total $
Segment liabilities		
Total segment liabilities	3,304	3,304
Unallocated liabilities		
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 Australia and Philippines.

NOTE 25. SHARE-BASED PAYMENTS

During the year, 3,100,000 fully paid ordinary shares at a deemed price of $0.30 were issued as consideration with respect to the acquisition of 80% interest in the Comval Project and 12,000,000 options were issued to Cadan Resources Ltd, Cygnet Capital Pty Ltd and Mr Zeff Reeves with respect to the acquisition of the Comval Project in the Philippines. The value of the options was deemed to be $0.192 cents each.

NOTE 26. SHARE OPTIONS

At the end of the year there are 24,172,230 (2011: 1,500,000) options over unissued shares as follows:

	2012		2011	
	Number of options	**Weighted average exercise price (cents)**	**Number of options**	**Weighted average exercise price (cents)**
Outstanding at beginning of the year	1,500,000[1]	20	-	-
Granted – share- based payment	300,000[2] 50,000 400,000	60 60 55	1,500,000	20
Granted – Comval Project	12,000,000	20	-	-
Granted – capital raisings	9,974,573	20	-	-
Forfeited	-	-	-	-
Exercised	(52,343)	20	-	-
Expired	-	-	-	-
Outstanding at year-end	24,172,230	23	1,500,000	20
Exercisable at year-end	22,372,230	-	-	-

[1] Held in escrow until 1 July 2013
[2] Held in escrow until 1 April 2013

NOTE 26. SHARE OPTIONS (continued)

a) **Expenses arising from share-based payment transactions**

There were $105,512 (2011: nil) expense arising from share-based payment transactions recognised during the year, and additional amount of $103,011 has been recognised in capital raising costs.

Unlisted Options

The fair value of the 750,000 unlisted options granted during the year ended 30 June 2012 was determined using the following option pricing models and weighted average inputs to the model:

Number of options over shares	400,000	300,000	50,000
Option pricing model fair value	$0.257	$0.299	$0.317
Share price at grant date	$0.54	$0.54	$0.55
Exercise price	$0.55	$0.60	$0.60
Expected volatility	87.41%	88.15%	91.74%
Option life (years)	2.0	3.0	3.0
Expected dividends	-	-	-
Risk-free rate	3.70%	3.33%	3.33%

The Black Scholes Option Pricing Model was used for all of the above valuations.

There were no unlisted options issued in the period ending 30 June 2011.

Listed Options

The fair value of the 12,000,000 listed options granted during the year ended 30 June 2012 with regards to the Comval Project acquisition was determined using the Binomial Valuation Model as follows:

Underlying share price	$0.30
Exercise price	$0.20
Expected volatility	90%
Expiry date	1 July 2014
Risk-free interest rate	3.26%
Value per option	$0.192
Share based payment	$2,304,000

During the period ended 30 June 2011, the Company issued 1,500,000 listed options with a deemed value of nil.

NOTE 27. NEW ACCOUNTING STANDARDS APPLICABLE IN FUTURE PERIOD

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group

NOTE 27. NEW ACCOUNTING STANDARDS APPLICABLE IN FUTURE PERIOD (Continued)

At the date of the authorization of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

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

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

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or

NOTE 27. NEW ACCOUNTING STANDARDS APPLICABLE IN FUTURE PERIOD (Continued)

- recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

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

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

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and

additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

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

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

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

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

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

AASB 13 requires:

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

These Standards are not expected to significantly impact the Group.

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

NOTE 27. NEW ACCOUNTING STANDARDS APPLICABLE IN FUTURE PERIOD (Continued)

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

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

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

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

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

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

NOTE 28. ACQUISITION OF COMVAL PROJECT AND BATOTO OPTION

Comval Project

On 17 January 2012, the Company's 100% wholly owned subsidiary, MNE Holdings Pty Ltd (MNE), acquired 80% interest in the voting shares of Philco Mining Corp ("PMC"), a company registered in the Philippines.

The provisional fair value of the identifiable assets and liabilities of PMC at the date of acquisition was as follows:

	2012 $
Assets	
Current assets	1,712,200
Non-current assets	9,968,819
Total assets	11,681,019
Liabilities	
Current liabilities	(71,861)
Non-current liabilities	(11,819,542)
Total liabilities	(11,891,403)
NET ASSETS	(210,384)
Equity	
Issued capital	56,000
Accumulated losses	(266,384)
Total equity	(210,384)

The total cost of the acquisition was $6,578,563 and comprised of issue of equity instruments and cash consideration. Under the terms of the agreement the Company has paid to date:

a) $1,000,000 to Cadan (vendor) as a secured loan)
b) issued 3,100,000 fully paid ordinary shares, 2,000,000 options $0.20 expiry 1 July2014, and make a second cash payment of approximately $2,000,000 to Cadan;

Further to the agreement:

d) When (and if) the Company's share price trades at or above $1 for 30 consecutive days, issue to Cadan 2,600,000 fully paid ordinary shares; and
e) If, within 24 months of settlement of the Acquisition (which period may be extended by up to a further 24 months). Cadan is successful in resolving the dispute as summarised in the Prospectus, section 3.5(d), lodged December 2011, the Company must make a further $1,000,000 payment to Cadan within 6 months of the dispute being settled.

Following the completion of the Acquisition, the remaining 20% interest in PMC held by Cadan is free carried until the Company has spent a minimum of $48 million on the Project over a period of 5 years, which may be extended for up to a further 18 months due to permitting delays in the 5 years, summary as follows:

a) Year 1: By funding and completing 10,000 metres of drilling on the Project, the production of an initial JORC resource statement, a scoping study, re-logging of existing data and reconfiguration of existing sampling or contribute AU$5 million to PMC for approved Project expenditure to satisfy the Year 1 obligations; If MPL fails to satisfy the work programme and does not make the AU$5 million cash contribution to Philco in lieu, the Company's interest in Philco will be diluted (by being transferred to PHI) at the rate of 1.1% for every AU$1 million of under expenditure (or pro-rata reduction for part thereof) ("Dilution Rate");
b) Year 2: By funding a further 12,500 metres of drilling on the Project and commencing a definitive feasibility study or contribute AU$5 million to PMC for approved Project expenditure to satisfy Year 2 obligations. If the

NOTE 28. ACQUISITION OF COMVAL PROJECT AND BATOTO OPTION (continued)

Company fails to satisfy the work programme and does not make the AU$5 million cash contribution to Philco in lieu, the Company's interest in Philco will be diluted at the Dilution Rate;

c) Year 3: By contributing further Project finance so that the total amount of the Project financing by the Company in Year 3 when aggregated with Year 1 and 2, is at least AU$15 million; If it fails to meet the shortfall, then its interest in Philco will be diluted at the Dilution Rate, except to the extent that the failure has already resulted in adjustment in Years 1 and 2;

d) Year 4: By contributing further Project finance of AU$15 million for approved Project expenditure or so that the total amount of Project financing by MPL in Year 4 when aggregated with Years 1, 2 and 3 is at least AU$30 million. If it fails to meet the shortfall, then its interest in Philco will be diluted at the Dilution Rate except to the extent that the failure has already resulted in adjustment in Years 1, 2 and 3; and

e) Year 5: By contributing further Project finance of AU$18 million for approved Project expenditure or so that the total amount of Project financing by MPL in Year 4 when aggregated with Years 1, 2 and 3 is at least AU$20 million.

Batoto Option

The Company's subsidiary MNE has been granted an option to acquire an 80% interest in the Batoto Gold/Silver project held be one of Cadan's subsidiaries on the following terms:

a) The Company via MNE must exercise the Batoto Option within 9 months of settlement of the acquisition of the Comval Project;

b) If the Company exercises the Batoto Option, it must, at settlement of that acquisition;
   i. Pay $3 million to Cadan; and
   ii. Issue a further 5,200,000 Shares to Cadan; and

c) Mining Group will free carry Cadan's 20% interest in the BAtoto Project until Mining Group has spent $30 million on exploration activities on the Batoto Project as follows:
   i. Year 1: - $3 million in expenditure
   ii. Year 2 - $5 million in expenditure
   iii. Year 3 - $6 million in expenditure
   iv. Year 4 - $8 million In expenditure; and
   v. Year 5 - $8 million in expenditure

NOTE 29. EVENTS SUBSEQUENT TO REPORTING DATE

On 9 July 2012, the Company announced a drilling and exploration update on ongoing drilling results from the new Bayag Bayag target on its Comval Project in the Philippines.

On 17 July 2012, the Company announced the appointment of Mr Zeffron Reeves as Managing Director of the Company and the resignation of Mr Andrew Maurice.

On 31 July 2012, the Company announced a pro rata renounceable entitlement issue of up to approximately 50,202,344 Shares on the basis of one share for every one share held by those shareholders registered at the record date at an issue price of $0.10 per share to raise up to $5,020,235. The Company released the Entitlement Issue Prospectus on 1 August 2012. On 5 September 2012 the Company issued 10,129,366 shares to applicants under Entitlement Issue. On 13 September 2012, shortfall of 14,870,634 shares was issued.

On 1 August 2012, the Company entered into a loan agreement for a borrowing of $500,000, repayment in full plus interest of 6% per annum, on the earlier of 31 October 2012 or upon the close of the entitlement issue announced 31 July 2012. The Loan and accrued interest was repaid in full on 13 September 2012. The Company also issued to the nominees of the lender a fee of 6,000,000 options exercisable at $0.20 each on or before 1 July 2014, in the same class as the Company's current listed options following shareholder approval at the Company's general meeting on 18 September 2012.

On 20 August 2012, the Company announced that recent mapping and surface sampling results have extended the prospective target area at its Comval Project.

NOTE 29. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

On 11 September 2012, Philco Mining Corp ("PMC"), a 80% owned subsidiary of the Company's 100% wholly owned subsidiary, MNE Holdings Pty Ltd, confirmed the sale of its Carbon-in-Pulp Plant which has been disclosed as an asset held for sale as at 30 June 2012.

On 13 September 2012, the Company announced the results for the drilling target, Kalamatan Porphyry at its Comval copper-gold project in the Philippines.

As previously announced, if, within 24 months of settlement of the acquisition of the Comval Project, Cadan is successful in resolving a dispute, as summarised in the Prospectus, section 3.5(d), lodged December 2011, the Company must make a further $1,000,000 payment to Cadan within 6 months of the dispute being settled. In September 2012, Cadan notified the Company that, in its view, the dispute had been settled within the terms of the agreement. Mining Group is reviewing its position and will update the market in due course.

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 30. COMPANY DETAILS

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

Ground floor
3 Richardson Street
WEST PERTH, WA 6005

Directors' Declaration

The Directors of the Company declare that:

1) The financial statements and notes, as set out on pages 26 to 61, 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 2012 and of the performance for the year ended on that date of the Group;

2) the Chief Executive Officer and Chief Finance Officer have each declared that:

   a) the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   c) the financial statements and notes for the financial year give a true and fair view;

3) In the Director's opinion there are reasonable grounds to believe that the Group 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 28th day of September 2012

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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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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*.

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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 15 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the remuneration report of Mining Group Limited for the year ended 30 June 2012 complies with section 300A 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

John Van Dieren
Director

West Perth, Western Australia
28 September 2012