A1 Minerals Limited | 2011 Annual Report

ABN 44 100 727 491

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CORPORATE INFORMATION

ABN 44 100 727 491

Directors
Mr Michael Hunt – Chairman (Non Executive)
Mr Ross Louthean – Director (Non-Executive)
Mr William Hobba – Technical Director
Mr Albert Longo – Finance Director

Company secretary
Mr Albert Longo

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Solicitors
Hunt & Humphry
Level 2, 20 Kings Park Road
West Perth Western Australia 6005

Bankers
Westpac Banking Corporation
465, Scarborough Beach Road,
Osborne Park, Western Australia 6017.

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Securities Exchange Listings
ASX Code: AAM

The financial year of 2010/11 has been a trying year for A1 Minerals with:

- the need to part company with the former managing director John Williams;
- employee problems in the period up to Williams' departure making ongoing staff retention on site very difficult and affecting the Company's ability to maintain continuity of operations;
- under-performance on mining operations primarily through inaccurate geological and mine planning data and poor mine pit design;
- financial issues arising out of this under-performance, including inadequate revenue to pay creditors;
- shortage of funds to provide spare parts for our mill leading to breakdowns and delays;
- no funds for exploration;
- heavy rain which closed down not just our Brightstar operations but all mines in the north eastern goldfields; and
- chronic shortage of skilled labour, which not only affected A1 Minerals but also our mining contractor Watpac.

Subsequent to the departure of John Williams, your Directors had doubts about the mining reserves at the Beta Pit. After further internal investigation, Directors were unable to verify or substantiate some of the previously announced reserves and resources at Brightstar (including at the Beta mine).

Directors then resolved to request an audit on our previously announced resources and reserves at Delta and Epsilon by geological consultant Andrew Hawker (Hawker Geological Services). Mr Hawker had previously worked for A1 Minerals in the discovery-development period.

Mr Hawker's report resulted in two things First negatively, a downgrading of our previously announced JORC Code compliant resources. Secondly and positively, evidence of the potential for large targets in our northern tenements, a point made by other experienced geologists who agreed to undertake work for the company after the departure of John Williams.

For the financial year we produced 14,289 fine ounces of gold and 12,135 fine ounces of silver, well below the target advised by John Williams of 30,000 ounces of gold.

In the latter part of the financial year the small Alpha pit was developed and mined. Recently new geological eyes on Alpha have indicated there may be scope for healthy gold grades below the completed pit and outside the current pit boundary.

Since the financial year's end, the Company announced that Stone Resources, a Chinese controlled company listed in Canada, would take up a majority shareholding in A1 Minerals subject to shareholder approval.

I am pleased that shareholders approved this transaction at the general meeting held today.

The background to the Stone arrangement is that, because of the Company's indebtedness and the need for capital to explore, the board had been in discussions since October 2010 with several parties looking for a corporate transaction. Patersons Securities were engaged at the time to seek a potential cornerstone investor with mining expertise. For many months, we were unsuccessful and it was clear that most parties were only interested in the Company "falling over" so our tenements and plant could be picked up cheaply. That outcome would have left shareholders with nothing, a result which was unacceptable to the board.

It was not until nearly the end of the financial year that Stone emerged as our preferred investor.

I want to thank Michael Atkins of Patersons Securities for spending so much time and effort in his endeavours to locate an investor and, having found Stone, in securing what your board sees as an acceptable way forward for the Company.

Stone has conducted very detailed due diligence including bringing from China teams of technical people including senior geoscientists and mining engineers and spending some weeks at Laverton. It is apparent from Stone's decision to proceed that it believes in the future of the Company.

For us, Stone as major shareholder will provide capital and expertise for exploration and mine development - capital and expertise we have lacked to date.

You will have read details of the Stone transaction. Those shareholders who attended the meeting voted unanimously in favour of it. I believe that their faith in voting for the transaction will be rewarded.

The Company has significant land holdings in a major gold discovery region – look at the operations and discovery of Garden Well by Regis Mining to the north of us, the new discoveries generally to our south and west by Saracen and the ongoing operations of AngloGold Ashanti at Sunrise Dam – one of Australia's top gold mines over the past decade!

In conclusion, I want to thank each of Albert Longo for keeping the Company solvent in a tough environment, Bill Hobba for keeping the operations going and our mill performing in an equally tough environment, my fellow non-executive director Ross Louthean for his support, our onsite workforce, our employees in our Osborne Park office and our mining contractor Watpac for sticking with us in circumstances which a lesser contractor might have pulled the pin.

Thinking of the future, I welcome Mr Yongji Duan and his colleagues from Stone. I look forward to the future of the Company with much more confidence than I felt at this time last year.

Yours truly,

Michael Hunt

MICHAEL HUNT
Chairman
Perth, 26 October 2011

Your directors submit the annual financial report of the consolidated entity consisting of A1 Minerals Limited and the entities it controlled during the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Michael Hunt BA, LLB (Hons) – Age 64
Non Executive Chairman (Since 31 October 2003)

Experience
Mr Hunt is a partner in Hunt & Humphry Project Lawyers in Perth. He is an experienced commercial lawyer and has Australian and international experience in mining law, the development of mining projects and the resolution of native title issues. Mr Hunt has provided advice on mining and petroleum law to local and overseas companies and governments.

Mr Hunt was the founding Chairman of Red Back Mining NL (formerly ASX listed) which became Red Back Mining Inc (listed on the Toronto Stock Exchange) of which he remained a Non-Executive Director until November 2010. Over a period of 10 years he helped take Red Back from junior Australian explorer, through gold production in Ghana and Mauritania to merger with Kinross Gold Corporation to form one of the world's top 5 gold companies. Mr Hunt is currently chairman of Azimuth Resources Ltd (ASX listed) which is exploring for gold in Guyana.

Ross Louthean AAusIMM, FCA – Age 66
Non-Executive Director (Since 20 February 2009)

Experience
Mr. Louthean is a well known resource sector commentator and observer. He is a journalist and author, editor of Gold & Minerals Gazette with a particular focus on gold, the mining industry and politics. He has written for and helped develop several national and international publications. His work has been recognised by several medals and awards, the latest being the 2009 Diggers & Dealers Media Award. Mr. Louthean has more than 30 years directorial experience with public companies and is currently a Director of an unlisted company developing websites and other media.

Mr. Louthean holds no directorships in other listed public companies, and his last position ended two years ago as non executive director of Atom Energy Ltd.

William Hobba – Age 61
Technical Director (Since 9 August 2010)

Mr Hobba supervised CPC Engineering's renovation and assembly of the Brightstar gold plant for the company. He has recently assumed responsibility for operational matters at the mine site. He has over 40 years experience in gold and nickel mines including 10 years as a consultant in a mine management consultancy and 5 years supplying resources to mill operations. Mr Hobba holds no directorships in other listed companies.

Mr Albert Longo B.Bus, CA – Age 56
Finance Director (Since 9 August 2010)
Company Secretary

Experience
Mr Longo is a Chartered Accountant with over 30 years experience in accounting and commercial administration predominantly in gold mining companies. He has been involved in a number of start up gold operations including Kanowna Belle and more recently Allied Gold's Simberi mine. Mr Longo holds no directorships in other listed companies.

Richard Stroud BSc Mining– Age 60
Non-Executive Director (Since 9 August 2010) (resigned 19 April 2011)

Mr Richard Stroud is a mining engineer with over 35 years worldwide experience in the mining industry. Over the last 10 years, Mr Stroud has been General Manager for a large mining equipment manufacturer; Manager Mining for one of the largest open pits in Australia and Group General Manager Engineering for one of the largest Australian global mining consultancies. Mr Stroud has had exposure to all facets of the mining industry from operations to corporate, most mineral commodities, open pit and underground and consulting to contracting. Mr Stroud's specialist skills are in operation optimisation, strategic and project management, mentoring senior mining personnel and peer reviewing studies and projects. Mr Stroud holds no directorships in other listed public companies.

Mr. John Williams B.Sc, MAusIMM – Age 51
Managing Director (resigned 9 August 2010)

Mr Williams has over 20 years experience as a geologist in Australia and overseas. He was instrumental in the discovery of a number of deposits that include the BrightStar Gold Project, Wendy Gully and the Attilia Deposit in Western Australia. Mr Williams was involved with the mine management of gold mines at Lady Bountiful, Broads Dam and Burbanks. Before joining A1 Minerals, Mr Williams operated as a mining consultant to Australian and Canadian firms. Mr Williams held no directorships in other listed public companies, and has not held such a position in the past three years.

Directors (*Continued)*

Interests in the shares and options of the company and related bodies corporate

The following relevant interests in shares and options of the company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Michael Hunt	5,000,000	2,250,000
Ross Louthean	1,500,000	-
William Hobba	5,500,000	11,247,775
Albert Longo	1,000,000	-

The following share options of A1 Minerals Limited were granted to directors and to the five most highly remunerated officers of the company during or since the end of the financial year as part of their remuneration:

Directors and officers	Number of options granted	Number of options over ordinary shares
Michael Hunt	1,500,000	-
Ross Louthean	500,000	-
William Hobba	5,500,000	-
Albert Longo (Finance Director & Company Secretary)	500,000	-

There are no ordinary shares issued by the company during or since the end of the financial year as a result of the exercise of an option.

There are no unpaid amounts on the shares issued.

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

Expiry Date	Exercise price	Number of shares
29 November 2011	20 cents	6,000,000
30 November 2011	20 cents	2,000,000
23 February 2012	20 cents	1,800,000
8 June 2012	30 cents	2,150,000
30 November 2012	35 cents	9,500,000
29 November 2013	20 cents	2,500,000
		23,950,000

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activities of the entities within the consolidated entity during the year were mineral exploration and gold production.

Review of operations

The Group has completed a difficult year where a number of challenges were faced and resolved. Gold production was not where it was hoped to be with the Beta pit not living up to expectations. A new pit, Alpha was commissioned after a number of delays.

The Company's major creditor, mining contractor Watpac, made demand on the Company for payment of arrears. An arrangement was negotiated. A charge over all the Company's assets was given to Watpac to cover this debt.

The resignation of former Managing Director created some real challenges for the group and we have dealt with those and continued production.

Brightstar Gold Project

The Brightstar Gold Project performed below production expectations in the year. An underperforming Beta pit in grade and tonnes did not allow maximum throughput and recovery of gold.

Rain impacted the project in early 2011 and in April 2011 a trunnion failure curtailed throughput for 6 weeks. These issues compounded with the delay in Alpha start up saw only 50% of target gold production achieved at 14,289 fine gold ounces compared to a forecast 30,000.

Towards the end of the year the Alpha pit started to produce good grade and gold ounces were improving.

Exploration

Our main focus in the year has been on getting gold production and improving the plant running. The Group has continued with exploration but in restricted capacity due to curtailed cash flows.

JORC Resources & Reserves

A1 Minerals has maintained its tenement holdings throughout the year.

As a result of a Board review and decision, the JORC resources were reviewed and reassessed for the Northern tenements in March 2011 by an independent consultant. These changes have resulted in a decrease to JORC resources' estimates.

Table of Mineral Resources Estimates (Updated 30th June 2011)

		Measured			Indicated			Inferred			Total		
Location	**Cut-off**	**KTonnes**	**g/t Au**	**Ounces (in thousands)**	**KTonnes**	**g/t Au**	**Ounces (in thousands)**	**KTonnes**	**g/t Au**	**Ounces (in thousands)**	**KTonnes**	**g/t Au**	**Ounces (in thousands)**
Alpha	0.5				213	1.57	11	660	2.86	61	873	2.55	72
Beta	0.7	310	2.19	22	310	1.85	18	1,888	2.62	163	2,508	2.52	203
Gamma	1							28	3.4	3			
Delta	0.4 - 0.7	975	1.34	42	513	1.23	20	3,435	1.41	156	4,922	1.38	218
Epsilon	0.4 - 0.7				3,435	1.32	146	3,212	1.38	142	6,647	1.35	288
Total		**1,285**	**1.55**	**64**	**4,471**	**1.36**	**195**	**9,223**	**1.77**	**525**	**14,950**	**1.62**	**781**

All data is rounded and discrepancies in summation may occur.

The Table of Mineral Resource Estimates which is updated to 30 June 2011, takes into account resources which have been diminished through tenement swaps and sales since April 2009 including the 'Zeta tenement' (287,516oz) and the 'Eta- No Mistake' (36,225oz) tenement.

Notes accompanying the Resources Statement

Alpha: 2011 Model completed by Andrew Hawker; depleted of mining.
Beta: Mine depletion applied to 2009 Model. Undepleted of historical UG mining.
Gamma: Completed by Tony Ryall in 2009.
Delta: 2011 Model completed by Andrew Hawker; depleted of mining.
Epsilon: 2011 Model completed by Andrew Hawker.

The information that relates to Mineral Resources for the Brightstar Gold Project is based on A1 Minerals Statement of Mineral Resources for the Brightstar Gold Project (June 2011) which is based on the information compiled by Mr Andrew Hawker who is an independent consulting geologist and a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the JORC Code (2004). Mr Hawker has provided Competent Person sign-off for the quality and representativity of the drill hole data, geological interpretations, resource estimation procedures and results.

Operating results for the year

The net loss after income tax attributable to members of the Group for the financial year to 30 June 2011 amounted to $16,923,683 (2010: $5,900,505). The net loss is after a provision for impairment of Beta assets of $6,085,570. This impairment provision is detailed in Note 1 (r) and Note 9 and 10 of the accounts

Exploration expenditure across all projects for the Group during the year was $1,761,384 (2009: $1,566,590)

Review of financial conditions

At the end of the financial year, the Group had $232,743 (2010: $439,303) in cash and on deposit. Carried forward exploration expenditure was $9,230,013 (2010: $11,594,986).

During the year the Group issued 3,808,363 ordinary shares to raise $685,505 before issue costs. As a result, issued capital increased from 196,860,062 in 2010 to 200,668,425 ordinary shares at the end of 2011.

Significant events after balance date

On 12 August 2011, the Company signed a Subscription Agreement with Stone Resources Limited a company listed on TSX Venture Exchange which provides for:

- a private placement of 89,730,000 ordinary shares at an issue price of $0.025; and,
- a $12,000,000 redeemable note at an interest of 5% per annum and convertible at $0.035 per share if exercised within 12 months of issuance, or if thereafter exercised at $0.06 per share, or repayable 24 months after issuance and secured by a first ranking fixed and floating charge.

On 12 August 2011, the Company signed a deed of forbearance with Watpac Civil & Mining Pty Ltd which provides:

- Watpac Civil & Mining Pty Ltd agreement not to exercise the Enforcement Rights during the Forbearance period; and,
- a compromise of $2,500,000 of the amount owed to Watpac. The amount owed to Watpac at balance date was $14,586,412 and end of Watpac contract was $16,017,530. Reductions of this amount is occurring under an agreed repayment plan.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental legislation

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors of the Group monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this Report.

Indemnification and insurance of Directors and Officers

The Group has agreed to indemnify all the directors of the company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Group paid a premium in respect of a contract insuring the directors and officers of the Group and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the premium.

Remuneration report

This report outlines the remuneration arrangements in place for the key management personnel of A1 Minerals Limited (the "company") for the financial year ended 30 June 2011. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the three executives in the Parent and the Group receiving the higher remuneration.

Key Management Personnel

(i) Directors

Michael Hunt (Chairman)
Ross Louthean (Non-Executive Director)
John Williams (Managing Director) (Resigned 9 August 2010)
Albert Longo (Finance Director / Company Secretary) (Appointed 9 August 2010)
William Hobba (Technical Director) (Appointed 9 August 2010)
Richard Stroud (Non-Executive Director) (Appointed 9 August 2010 and Resigned 19 April 2011)

(ii) Executives

Stewart Millar (Registered Manager) (Appointed 17 August 2010)
Godfrey Weldt (Financial Controller) (Appointed 17 August 2010)
David Reid (Chief Geologist) (Appointed 4 November 2010 and resigned 11 May 2011)

Remuneration philosophy

The philosophy of the Group in determining remuneration levels is to set competitive remuneration packages to attract and retain high calibre employees.

Remuneration committee

There is no separate Remuneration Committee. The Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

A fee is payable to each director for being a director of the company.

The aggregate remuneration for non-executive directors will be tabled at the Annual General Meeting to be held on 30 November 2011.

The remuneration of non-executive directors for the period ended 30 June 2011 is detailed in Table 1 of this report.

Senior manager and executive director remuneration

Remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The remuneration of the 5 most highly remunerated Group and company executives is detailed in Table 2.

Remuneration of directors and named executives

Table 1: Directors' remuneration for the year ended 30 June 2011

		Short-term employee benefits		Post-employment benefits	Equity		
		Salary & Fees $	Other $	Superannuation $	Share options $	Total $	Performance Related $
Michael Hunt	**2011**	**75,000**	**-**	**6,750**	**81,750**	**163,500**	**50.0%**
	2010	22,940	-	2,064	356,000	381,006	93.4%
Ross Louthean	**2011**	**47,000**	**-**	**-**	**35,005**	**82,005**	**42.7%**
	2010	33,864	-	-	178,000	211,864	84.0%
William Hobba (appointed 9 August 2010)	**2011**	**224,432**	**100,994**	**-**	**268,730**	**594,156**	**45.2%**
	2010	-	-	-	-	-	0.0%
Albert Longo (appointed 9 August 2010)	**2011**	**224,437**	**17,713**	**20,207**	**35,005**	**297,362**	**11.8%**
	2010	-	-	-	-	-	0.0%
Rick Stroud (appointed 9 August 2010 and resigned 19 April 2011)	**2011**	**31,283**	**-**	**2,815**	**35,005**	**69,103**	**50.7%**
	2010	-	-	-	-	-	0.0%
John Williams (resigned 9 August 2010)	**2011**	**50,000**	**7,474**	**4,500**	**-**	**61,974**	**0.0%**
	2010	300,000	10,848	27,000	1,202,500	1,540,348	78.1%

Table 2: Remuneration of the 5 named executives who received the highest remuneration for the year ended 30 June 2011

		Short-term employee benefits		Post-employment benefits	Equity		
		Salary & Fees $	Other $	Superannuation $	Share Options $	Total $	Performance Related %
Albert Longo (CFO & Company Secretary – salary from 1 July 2010 to 9 August)	**2011**	**19,319**	**-**	**1,739**	**-**	**21,058**	**-**
	2010	41,763	-	3,760	-	45,523	-
Stuart Millar (Registered Manager) (Appointed 17 August 2010)	**2011**	**126,250**	**-**	**11,363**	**-**	**137,613**	**-**
	2010	-	-	-	-	-	-
David Reid (Chief Geologist) (Appointed 4 November 2010 & resigned 11 May 2011)	**2011**	**109,537**	**-**	**9,861**	**-**	**119,398**	**-**
	2010	-	-	-	-	-	-
Godfrey Weldt (Financial Controller) (Appointed 17 August 2010)	**2011**	**104,360**	**-**	**9,398**	**-**	**113,758**	**-**
	2010	-	-	-	-	-	-
Anthony Wallace Mine Manager (Appointed 8 March 2010 & resigned 23 June 10)	**2011**	**18,664**	**-**	**1,680**	**-**	**20,344**	**-**
	2010	73,336	-	6,603	-	79,939	-
Alan Downham Mining Engineer (Appointed 9 April 2010 & resigned 9 July 10)	**2011**	**28,564**	**-**	**2,572**	**-**	**31,136**	**-**
	2010	52,129	-	4,694	-	56,823	-

Table 3: Option plans in existence during the financial year

Option series	Grant date	Expiry date	Fair value at grant date	Vesting date
SERIES 1 – 2,500,000	31 December 2010	29 November 2013	$175,022	29 November 2013
SERIES 2 – 9,500,000	22 December 2009	30 November 2012	$2,422,718	30 November 2012
SERIES 3 – 1,050,000	29 June 2010	8 June 2013	$63,331	8 June 2013
SERIES 4 – 1,150,000	29 June 2010	8 June 2012	$112,420	8 June 2012
SERIES 5 – 1,800,000	23 February 2009	23 February 2012	$543,616	23 February 2012
SERIES 6 – 1,500,000	28 November 2008	30 November 2011	$132,995	30 November 2011
SERIES 7 – 500,000	27 July 2009	30 November 2011	$45,564	30 November 2011
SERIES 8 – 6,000,000	31 December 2010	29 November 2011	$280,471	29 November 2011

For details on the valuation of the options, including models and assumptions used, please refer to Note 16. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Table 4: Share-based compensation to directors and executives during the current financial year

Name	No. granted	Date granted	FV per option at grant date	No. vested	% of grant vested	% of grant forfeited	% compensation for year consisting of options	Expiry date
Michael Hunt (Chairman)	1,000,000	30/11/2010	$46,745	-	-	-	50.0%	29/11/2011
	500,000	30/11/2010	$35,005	-	-	-		29/11/2013
Ross Louthean (Director)	500,000	30/11/2010	$35,005	-	-	-	42.7%	29/11/2013
William Hobba (Technical Director)	6,000,000	30/11/2010	$233,725	-	-	-	45.2%	29/11/2011
	500,000	30/11/2010	$35,005	-	-	-		29/11/2013
Albert Longo (Finance Director)	500,000	30/11/2010	$35,005	-	-	-	11.8%	29/11/2013
Rick Stroud (Director) (resigned 19/04/2011)	500,000	30/11/2010	$35,005	-	-	-	50.7%	29/11/2013

Table 5: Options issued as compensation exercised during the year by directors and executives

Name	No. options exercised	No. shares issued	Amount paid
Michael Hunt (Chairman)	-	-	-
Ross Louthean (Director)	-	-	-
William Hobba (Technical Director)	-	-	-
Albert Longo (Finance Director)	-	-	-
Rick Stroud (Director) (Resigned 19/04/11)	-	-	-

No amounts were unpaid on the exercise of options during the year by directors and executives.

Table 6: Options granted, exercised or lapsed during the year to directors and executives

Name	Value of options granted at the grant date $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse $
Michael Hunt (Chairman)	81,750	-	30,300
Ross Louthean (Director)	35,005	-	-
William Hobba (Technical Director)	268,730	-	-
Albert Longo (Finance Director)	35,005	-	-
Rick Stroud (Director) (Resigned 19/04/11)	35,005	-	-

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	Eligible to attend
Number of meetings held:	11	11
Number of meetings attended:		
Mr M Hunt	11	11
Mr R Louthean	10	11
Mr W Hobba	10	10
Mr A Longo	11	11
Mr R Stroud	6	7
Mr J Williams	0	0

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 16 and forms part of this directors' report for the year ended 30 June 2011.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.

Albert Longo
Finance Director
30 September 2011

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of A1 Minerals Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is made in respect of A1 Minerals Limited.

Perth, Western Australia	**N G NEILL**
30 September 2011	**Partner, HLB Mann Judd**

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	Notes	Consolidated 2011 $	2010 $
Revenue	2(a)	19,466,754	2,763,512
Other income	2(b)	130,832	(236,127)
Cost of sales	2(c)	(25,075,221)	(4,477,915)
Employee benefits expense	2(d)	(797,319)	(1,731,843)
Depreciation and amortisation expense	2(e)	(2,300,560)	(410,707)
Impairment expense	2(f)	(6,085,570)	-
Finance costs	2(g)	(204,006)	(71,113)
Other expenses	2(h)	(2,058,593)	(1,736,312)
Loss before income tax benefit		**(16,923,683)**	**(5,900,505)**
Income tax benefit	3	-	-
Loss after tax from continuing operations		**(16,923,683)**	**(5,900,505)**
Net loss for the year		**(16,923,683)**	**(5,900,505)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(16,923,683)**	**(5,900,505)**
Basic loss per share (cents per share)	5	**(8.45)**	**(3.50)**

The accompanying notes form part of these financial statements

	Notes	Consolidated 2011 $	Consolidated 2010 $
Current Assets			
Cash and cash equivalents	6	232,743	439,303
Trade and other receivables	7	476,563	775,836
Inventories	8	1,479,748	51,496
Total Current Assets		2,189,054	1,266,635
Non-Current Assets			
Other receivables	7	588,570	293,598
Property, plant and equipment	9	19,327,611	22,321,572
Deferred exploration, evaluation and development expenditure	10	9,230,013	11,594,986
Total Non-Current Assets		29,146,194	34,210,156
Total Assets		31,335,248	35,476,791
Current Liabilities			
Trade and other payables	11	18,273,162	6,734,743
Borrowings	12	448,298	418,091
Provisions	13	182,737	161,662
Total Current Liabilities		18,904,197	7,314,496
Non-Current Liabilities			
Borrowings	12	743,176	1,178,220
Provisions	13	890,809	676,816
Total Non-Current Liabilities		1,633,985	1,855,036
Total Liabilities		20,538,182	9,169,532
Net Assets		10,797,066	26,307,259
Equity			
Issued capital	14	35,103,213	34,487,042
Reserves	15	3,776,137	3,386,797
Accumulated losses	15	(28,082,284)	(11,566,580)
Total Equity		10,797,066	26,307,259

The accompanying notes form part of these financial statements

	Notes	Consolidated 2011 $	Consolidated 2010 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		19,608,368	2,312,078
Payments to suppliers and employees		(12,668,978)	(2,686,909)
Interest received		29,402	98,361
Finance costs		(204,006)	(71,113)
Royalties paid		(314,805)	-
Net cash provided by / (used in) operating activities	6(iii)	6,449,981	(347,583)
Cash flows from investing activities			
Payments for environmental bonds		(341,000)	-
Proceeds from sale of non-current assets		400,000	1,815,925
Payments for non-current assets		(5,022,678)	(15,755,681)
Payments for exploration, evaluation and development expenditure		(1,904,197)	-
Net cash used in investing activities		(6,867,875)	(13,939,756)
Cash flows from financing activities			
Proceeds from issue of shares		685,502	12,634,713
Payments for share issue costs		(69,331)	(324,107)
Proceeds from borrowings		212,709	-
Repayment of borrowings		(212,709)	-
Repayment of finance lease liabilities		(404,837)	(160,282)
Net cash provided by financing activities		211,334	12,150,324
Net decrease in cash held		(206,560)	(2,137,015)
Cash and cash equivalents at beginning of period		439,303	2,576,318
Cash and cash equivalents at end of period		232,743	439,303

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

Consolidated	Note	Issued Capital	Accumulated Losses	Reserves	Total
		$	$	$	$
Balance as at 1 July 2009		20,838,735	(5,666,075)	1,654,954	16,827,614
Loss for the year	15	-	(5,900,505)	-	(5,900,505)
Total comprehensive loss for the year		-	(5,900,505)	-	(5,900,505)
Shares issued during the year	14	13,648,307	-	-	13,648,307
Recognition of share-based payments	15	-	-	1,731,843	1,731,843
Balance at 30 June 2010		34,487,042	(11,566,580)	3,386,797	26,307,259
Balance as at 1 July 2010		34,487,042	(11,566,580)	3,386,797	26,307,259
Loss for the year	15	-	(16,923,683)	-	(16,923,683)
Total comprehensive loss for the year		-	(16,923,683)	-	(16,923,683)
Shares issued during the year	14	616,171	-	-	616,171
Recognition of share-based payments	15	-	-	797,319	797,319
Transfer of lapsed options	15	-	407,979	(407,979)	-
Balance at 30 June 2011		35,103,213	(28,082,284)	3,776,137	10,797,066

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A1 Minerals Limited ('the Company') is a listed public company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the 'Group'). The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis, unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets. The entity's principal activities were exploration for gold and mining and processing of gold.

The financial report is presented in Australian dollars.

(b) Statement of Compliance

The financial report was authorised for issue on 29 September 2011.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

In the year ended 30 June 2011, 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 Group 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 2011. 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 necessary to Group accounting policies.

(c) Principles of Consolidation

The consolidated financial statements comprise the separate financial statements of A1 Minerals Limited ("Company") and its subsidiaries as at 30 June each year (the "Group").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of Consolidation (continued)

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in accordance with AASB requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised; if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using the assumptions detailed in Note 16.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 16.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of “fair value less costs to sell” and “value in use”. In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimate future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical accounting judgements and key sources of estimation uncertainty (continued)

Recoverability of long-lived assets

Certain assumptions are required to be made in order to assess the recoverability of long-lived assets. Key assumptions include the future price of gold, future cash flows, an estimated discount rate and estimates of recoverable gold ounces. In addition, cash flows are projected over the life of mine, which is based on estimates of recoverable gold ounces. Estimates of recoverable gold ounces in themselves are dependent on various assumptions, in addition to those described above, including gold cut-off grades. Changes in these estimates could materially impact on recoverable gold ounces, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount, estimates of the life of mine and depreciation and amortisation.

Determination of ore reserves and mineral resources and remaining mine life

The Group estimates its ore reserves and mineral resources based on information complied by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised December 2004 (the JORC code). Reserves and resources, if applicable, determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining recoverable gold ounces, but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable gold ounces is made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves, mineral resources and remaining mine life affects the carrying value of a number of the Group's assets and liabilities including deferred mining costs and the provision for rehabilitation.

Provision for restoration and rehabilitation obligations

Certain assumptions are required to be made in determining the amount expected to be incurred to settle its obligations in relation to restoration and rehabilitation of the mine site. Key assumptions include the amount and timing of future cash flow estimates. A 10% increase to cost assumptions will result in a $85,725 increase in the liability.

Unit-of-production method of depreciation

The Group applies the unit-of-production method for depreciation of its mine specific assets which results in a depreciation or amortisation of its mine specific assets which results in a depreciation or amortisation charge proportional to the depletion remaining life of production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business.

The Company has a deficiency of working capital of $16,715,143 at year end. The Board considers that the Company is a going concern and a proposal to recapitalise (announced to the market on 12 August 2011) the company has been agreed to and will be voted on by shareholders on 26 October 2011. This proposal recognises that additional funding is required to ensure that the Company can continue to fund its and the Group's operations and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report. The Board's internal cash flow projections indicate that the Company will continue to be a going concern, primarily as a result of ongoing cash positive operations as well as the support of the recapitalisation investors.

Should the Company be unable to obtain sufficient funding as outlined above, there is a material uncertainty which may cause significant doubt whether or not the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relative to the recoverability and classification of recorded assets amount or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

(f) 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:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

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

(g) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 balance date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Tax (continued)

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 balance 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 balance 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 balance 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) Financing Costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method. Borrowing costs are expensed as incurred and included in net financing costs.

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(i).

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.
Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) 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 any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 10 days to 30 days.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis;
Run of Mine stockpiles – the cost of getting ore to the ROM pad including an allocation of waste cost to get to the ore in pit; and
Finished goods and gold in circuit – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Office furniture and equipment	5 – 8 years
Plant and equipment	3 – 5 years
Motor vehicles	4 – 5 years
Mine property and plant	Life of mine, calculated on resource units.

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

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

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

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. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Property, plant and equipment (continued)

(ii) Derecognition and disposal

An item of property, 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.

(o) Investments and other Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial Assets at Fair Value through Profit and Loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale Investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other Financial Assets (continued)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(p) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
  (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(q) Mine Development expenditure

Mine development costs represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which a decision to mine has been made. Plant construction and commissioning costs are included as mine development costs once the commissioning phase has been completed.

When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of Mine Development Costs only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is fully provided against or written off in the financial year in which this is determined.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost 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.

(t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and the redemption amount is recognised in profit or loss over the period of the borrowings. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provisions – Employee benefits

(i) Wages, Salaries, Annual Leave and Sick Leave

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

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee of departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(v) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, further details of which are given in Note 16.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of A1 Minerals Limited (market conditions), if applicable.

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

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Share 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.

(x) Earnings per share

Basic earnings per share ('EPS') is calculated as net profit or loss attributable to members of the Company for the reporting period, after excluding any costs for servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted earnings is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary share and the effect on revenues and expenses of conversion, by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

(y) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2011 $	2010 $
(a) Revenue		
Sale of gold and by-product	19,431,416	2,656,509
Bank interest receivable	35,338	107,003
	19,466,754	2,763,512
(b) Other income / (loss)		
Sale of tenements	400,000	1,815,925
Less: Cost of tenements	(271,892)	(2,057,695)
Other income	2,724	5,643
	130,832	(236,127)
(c) Cost of sales		
Employee expenses	3,705,419	242,948
Stores and other consumables	887,968	336,987
Fuel, power and water	1,615,670	500,556
Amortisation of waste material	11,379,084	813,207
Amortisation of Beta and Alpha deferred tenement expenditure	1,616,949	-
Other mining, processing and refining	5,463,511	2,584,217
Royalty	406,620	-
	25,075,221	4,477,915
(d) Employee benefits expense		
Share based payments	797,319	1,731,843
(e) Depreciation of non current assets		
Gold plant and mine development	2,027,434	212,734
Plant and equipment	87,970	41,907
Motor vehicles	78,358	68,720
Site equipment	88,327	67,144
Office equipment	18,471	20,202
	2,300,560	410,707

NOTE 2: REVENUE AND EXPENSES (continued)

	Consolidated 2011 $	2010 $
(f) Impairment of non current assets (for Beta Mine)		
Gold plant and mine development	3,799,933	-
Deferred Development expenditure	2,285,637	-
	6,085,570	-
(g) Finance charges		
Finance charges payable under finance leases and hire purchase contracts	204,006	71,113
(h) Other expenses		
Employee expense	1,433,917	981,366
Less: allocated to exploration	(987,006)	(558,125)
	446,911	423,241
Exploration costs expensed and written off	108,314	105,906
Consulting	161,022	95,093
Corporate	510,440	292,031
Administration	831,906	820,041
	2,058,593	1,736,312

NOTE 3: INCOME TAX

	Consolidated 2011 $	Consolidated 2010 $
(a) Income tax recognised in statement of income		
Accounting loss before tax from continuing operations	(16,923,683)	(5,900,505)
Income tax benefit calculated at 30%	(5,077,105)	(1,770,152)
Non-deductible expenses:	239,196	523,739
Movement in carried forward losses	3,095,416	-
Exploration expenditure capitalised	709,487	117,784
Mining assets	(397,341)	(1,799,068)
Other Deferred Tax Assets and Deferred Tax Liabilities not recognised	1,430,347	2,927,697
Income tax expense reported in the statement of comprehensive income	-	-
(b) Unrecognised deferred tax balances (at 30%)		
Deferred tax assets comprise:		
Losses available for offset against future taxable income - revenue	9,969,750	6,874,335
Provision for rehabilitation	257,175	-
Business related costs	73,368	30,569
Accrued expenses	351,891	155,783
	10,652,184	**7,060,687**
Deferred tax liabilities comprise:		
Mining assets	(2,196,410)	(1,799,068)
Accrued income	-	(2,088)
Exploration expenditure capitalised	(2,769,008)	(3,478,496)
Prepayments	-	-
	(4,965,418)	**(5,279,652)**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

NOTE 4: SEGMENT REPORTING

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The group's sole activity is mineral exploration and resource development wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements.

NOTE 5: EARNINGS PER SHARE

	Consolidated	
	2011	2010
	Cents per share	Cents per share
Basic loss per share:		
Total basic loss per share	(8.45)	(3.50)

Basic loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2011	2010
	$	$
Loss	(16,923,683)	(5,900,505)
Weighted average number of ordinary shares for the purposes of basic earnings per share	200,209,335	168,783,895

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2011 $	2010 $
Cash at bank and on hand	74,462	(25,610)
Short-term deposits	158,281	464,913
	232,743	439,303

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2011, the Group did not have any undrawn committed borrowing facilities.

(i) Reconciliation to Cash Flow Statement:

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	$	$
Cash and cash equivalents	232,743	439,303

(ii) Cash balances not available for use	$	$
Non current bank deposits held for issuance of unconditional performance bonds issued to the Minister responsible for the Mining Act 1978 for granting licences:		
Narnoo Bond	-	61,000
Bond issued for exploration licence No. L38/100	26,773	25,000
Bond issued for exploration licence No. M38/302	17,079	16,155
Bond issued for exploration licence No. M38/9	131,722	123,000
Bond issued for licence on open pit mining & treatment plant	70,593	67,040
Bond issued for exploration licence No. L38/123	218,000	-
Bond issued for exploration licence No. M38/968	123,000	-
Total non current deposits not available for use shown in Security and environmental bonds refer to Note 7	587,167	292,195

NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

	Consolidated 2011 $	Consolidated 2010 $
(iii) Reconciliation of profit for the year to net cash flows from operating activities		
Profit / (loss) for the year	(16,923,683)	(5,900,505)
Amortisation of waste material	11,379,084	813,207
Amortisation of Beta and Alpha deferred tenement expenditure	1,616,949	-
Depreciation	2,300,560	410,707
Impairment of non current assets – Beta Mine	3,799,933	-
Impairment of Beta deferred tenement expenditure	2,285,637	-
Profit on sale of tenements	(128,108)	241,770
Equity settled share based payment	797,319	1,731,843
Exploration expenses written off	108,314	105,906
(Increase)/decrease in assets		
Current receivables	170,274	(487,740)
Current inventories	(1,428,251)	(51,496)
Increase/(decrease) in liabilities		
Current payables	2,467,001	2,610,556
Current provisions	4,952	133,604
Non-current provisions	-	44,565
Net cash from operating activities	6,449,981	(347,583)

NOTE 7: TRADE AND OTHER RECEIVABLES

CURRENT

	Consolidated	
	2011 $	2010 $
Trade receivables	175,845	350,074
GST recoverable	139,659	284,461
Other receivables	161,059	141,301
	476,563	775,836

(i) the average credit period on sales of goods and rendering of services is 5 days. GST input credit is recoverable from the Australian Taxation Office within 30 days of month end.
At present, sales of gold and silver are contracted to the Perth Mint at spot pricing; hence credit scoring was not required. Other receivables represent prepaid insurance and advances against purchases.
(ii) For details of the terms and conditions of related party receivables refer to Note 19.

Aging of past due but not impaired	$	$
30 – 60 days	175,845	350,074

NON CURRENT

	Consolidated	
	2011 $	2010 $
Security and environmental bonds	587,167	292,195
Other loans	1,403	1,403
	588,570	293,598

NOTE 8: INVENTORIES

	Consolidated	
	2011 $	2010 $
Raw materials – at cost	87,546	51,496
Run of Mine stockpile	799,730	-
Gold in circuit	592,472	-
	1,479,748	51,496

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated				
	Office furniture and equipment	Plant and equipment	Motor vehicles	Mine property and plant	Total
	$	$	$	$	$
Year ended 30 June 2011					
At 1 July 2010, net of accumulated depreciation and impairment	32,459	531,671	262,759	21,494,683	22,321,572
Additions	8,642	75,945	-	14,401,029	14,485,616
Disposals	-	-	-	-	-
Depreciation charge for the year	(18,471)	(176,297)	(78,358)	(13,406,518)	(13,679,644)
Impairment of Beta Mine Assets	-	-	-	(3,799,933)	(3,799,933)
At 30 June 2011, net of accumulated depreciation and impairment	22,630	431,319	184,401	18,689,261	19,327,611
At 1 July 2010					
Cost or fair value	141,392	680,426	475,597	22,520,627	23,818,042
Accumulated depreciation and impairment	(108,933)	(148,755)	(212,838)	(1,025,944)	(1,496,470)
Net carrying amount	32,459	531,671	262,759	21,494,683	22,321,572
At 30 June 2011					
Cost or fair value	150,034	756,371	475,597	36,921,656	38,303,658
Accumulated depreciation and impairment	(127,404)	(325,052)	(291,196)	(18,232,395)	(18,976,047)
Net carrying amount	22,630	431,319	184,401	18,689,261	19,327,611

Impairment of Beta Mine Assets

The Table of JORC Resources and Reserves as at April 2009 denotes a total Gold Recovery of 150,163 ounces from four Mine locations (Alpha, Beta, Delta and Epsilon), of which the Beta Mine was stated to yield a Gold Recovery of 43,780 ounces. As at 30 June 2011, total production of Gold produced from the Beta Mine was 15,060 ounces. Although, based on JORC Resources and Reserves there is an indicative balance Gold Recovery of 28,720 ounces, there is now an uncertainty of the latter recovery based on the high production of silver to date (13,884 ounces), and mainly found in the Northern section of Beta Mine (almost 50% silver). Since June 2011, mining has ceased in Beta until a complete reassessment of reserves and its economic benefits to mine and treat; and, at year end only stock of Ore from Beta Mine remains (approximately 5,087 tonnes).

Considering the above, there is evidence that the economic performance of Beta is worse than that expected. At this stage, the uncertainty of economic Gold recovery from Beta Mine renders it difficult to ascertain the generation of future cash flows from Beta.

Accordingly, the future recovery of the value of Beta Mine is in doubt and the asset value is impaired (AASB 136 12(g); 14(b) and 22). The total written down value for Beta as at 30 June 2011 is $3,799,933 and has been provided as an impairment in the accounts.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Continued)

The useful life of the assets was estimated as follows for both 2010 and 2011:

Office furniture and equipment	5 to 8 years
Plant and equipment	3 to 5 years
Motor vehicles	4 to 5 years
Mine property and plant	Life of mine, calculated on resource units

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is $1,441,561 (2010: $1,659,437). There were no additions during the year (2010: $1,717,244) of plant and equipment held under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

NOTE 10: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2011 $	2010 $
Costs carried forward in respect of:		
Exploration, evaluation and development phase – at cost		
Balance at beginning of year	4,319,297	5,323,310
Disposal of tenements	(271,892)	(2,049,367)
Expenditure incurred	1,415,725	1,149,984
Expenditure written off	(108,314)	(104,630)
	5,354,816	4,319,297
Development expenditure – Beta Mine and related tenements at cost		
Balance at beginning of year	3,242,524	2,713,754
Expenditure incurred	302,122	528,770
Amortisation	(1,150,467)	-
Impairment – Beta mining tenement	(2,285,637)	-
	108,542	3,242,524
Development expenditure – Alpha Mine at cost		
Balance at beginning of year	4,033,165	3,950,535
Expenditure incurred	199,972	82,630
Amortisation	(466,482)	-
	3,766 ,655	4,033,165
Total deferred exploration, evaluation and development expenditure	9,230,013	11,594,986

NOTE 10: DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE (Continued)

Impairment of Beta mining tenement

In view of the impairment of Beta Mine, the deferred capitalised development expenditure for Beta mining tenement only is also considered impaired. The total written down value for Beta tenement is $2,285,637.

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2011 $	2010 $
Trade payables (i)	17,292,976	5,913,064
Accrued liabilities	980,186	821,679
	18,273,162	6,734,743

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms and with special arrangements entered into with major suppliers for settlement within 60 days.

NOTE 12: BORROWINGS

	Consolidated	
	2011 $	2010 $
Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts (refer Note 18)	448,298	418,091
	448,298	418,091
Non-Current		
Loans carried at amortised cost		
Obligations under finance leases and hire purchase contracts (refer Note 18)	743,176	1,178,220
	743,176	1,178,220

At the balance date, the company had no other loan facilities available. The finance leases and hire purchase contracts bear a charge on the specific plant and machinery financed. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is $1,441,561 (2010: $1,659,437).

NOTE 13: PROVISIONS

	Consolidated		
	Rehabilitation	Employee benefits	Total
Consolidated	$	$	$
At 1 July 2010	632,251	206,227	838,478
Arising during the year	224,999	178,505	403,504
Utilised	-	(168,436)	(168,436)
	857,250	216,296	1,073,546
At 30 June 2011			
Current 2011	-	182,737	182,737
Non-current 2011	857,250	33,559	890,809

Employee provisions for annual leave are based on 20 days per annum, and calculated on individual employee base rate per day plus superannuation. Employee provision for long service leave has been pro-rated for the current period of service and based on the assumption that employees would complete 7 years of unbroken service to qualify the statutory pro-rating entitlement of 8.667 weeks for 10 years.

The provision for rehabilitation represents the present value of estimated costs of site and pit rehabilitation based upon costs of rehabilitation expected to be incurred at the date the rehabilitation is required and the area of currently disturbed ground subject to rehabilitation as at balance date. For further details refer to Note 1(d) and Note 1(y).

NOTE 14: ISSUED CAPITAL

	Consolidated	
	2011 $	2010 $
200,668,425 Ordinary shares issued and fully paid	35,103,213	34,487,042

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated		Consolidated	
	2011		2010	
	No.	$	No.	$
Movement in ordinary shares on issue				
Balance at beginning of financial year	196,860,062	34,487,042	119,566,861	20,838,735
Issued for cash on share placement	-	-	41,208,946	7,950,636
Issued for cash share purchase plan	3,808,363	685,505	22,667,635	2,946,793
Issued in consideration for exploration asset, mining camp and mining consultancy services	-	-	2,941,620	882,486
Issued for cash on exercise of employee options	-	-	10,475,000	2,192,500
Share issue costs		(69,334)	-	(324,108)
Balance at end of financial year	200,668,425	35,103,213	196,860,062	34,487,042

NOTE 14: ISSUED CAPITAL (Continued)

Share options
The company has four share based payment option schemes under which options to subscribe for the company's shares have been granted to certain executives and other employees Note 16.

NOTE 15: ACCUMULATED LOSSES AND RESERVES

Accumulated losses
Movements in accumulated losses were as follows:

	Consolidated	
	2011 $	2010 $
Balance at beginning of financial year	(11,566,580)	(5,666,075)
Transfer on lapsed options	407,979	-
Net profit / (loss) for the year	(16,923,683)	(5,900,505)
Balance at end of financial year	(28,082,284)	(11,566,580)

Option reserve
Movement in option reserve was as follows:

	Consolidated	
	2011 $	2010 $
Balance at beginning of financial year	3,386,797	1,654,954
Share based payments (Note 16)	797,319	1,731,843
Transfer on lapsed options	(407,979)	-
Balance at end of financial year	3,776,137	3,386,797

Nature and purpose of reserves
Option reserve
This option reserve represents the fair value of options, estimated by option valuation models, issued as consideration for services to employees or consultants as remuneration, or to third parties for the acquisition of assets, goods or services.

NOTE 16: SHARE BASED PAYMENT PLANS

General Employee Share Loan Plan

The company does not have a General Employee Share Loan Plan.

The expense recognised in the statement of income in relation to share-based payments is disclosed in NOTE 2(d).

The following share-based payment arrangements were in place during the current and prior periods:

Current - 2011

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Options issued to directors	1,500,000	28/11/2008	30/11/2011	$0.20	132,995
Options issued to employees	1,800,000	23/02/2009	23/02/2012	$0.20	543,616
Options issued to a director	500,000	27/07/2009	30/11/2011	$0.20	45,564
Options issued to directors	9,500,000	22/12/2009	30/11/2012	$0.35	2,422,718
Options issued to employees	1,100,000	01/07/2011	08/06/2012	$0.30	248,494
Options issued to employees	1,050,000	01/07/2011	08/06/2013	$0.30	63,331
Options issued to directors	6,000,000	31/12/2010	29/11/2011	$0.20	280,471
Options issued to directors	2,500,000	31/12/2010	29/11/2013	$0.20	175,022

Prior period – 2010

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Options issued to directors	3,000,000	21/12/2008	31/12/2010	$0.30	90,900
Options issued to directors	1,500,000	28/11/2008	30/11/2011	$0.20	30,900
Options issued to employees	2,300,000	23/02/2009	23/02/2012	$0.20	313,260
Options issued to a director	500,000	27/07/2009	30/11/2011	$0.20	45,564
Options issued to directors	9,500,000	22/12/2009	30/11/2012	$0.35	1,686,274

NOTE 16: SHARE BASED PAYMENT PLANS (Continued)

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2011 No.	2011 Weighted average exercise price	2010 No.	2010 Weighted average exercise price
Outstanding at the beginning of the year	16,800,000	$0.30	27,650,000	$0.27
Granted during the prior year	3,775,000	$0.30	-	-
Granted during the year	8,500,000	$0.20	10,000,000	$0.35
Forfeited during the year	(2,125,000)	$0.28	-	-
Exercised during the year	-	-	(10,475,000)	$0.21
Lapsed during the year	(3,000,000)	$0.30	(10,375,000)	$0.35
Outstanding at the end of the year	23,950,000	$0.27	16,800,000	$0.30
Exercisable at the end of the year	23,950,000	$0.27	17,400,000	$0.30

The outstanding balance as at 30 June 2011 is represented by:

- 2,000,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting the above conditions and until 30 November 2011;
- 9,500,000 options over ordinary shares with an exercise price of $0.35 each, exercisable upon meeting the above conditions and until 30 November 2012;
- 1,800,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting the above conditions and until 23 February 2012;
- 1,100,000 options over ordinary shares with an exercise price of $0.30 each, exercisable upon meeting the above conditions and until 8 June 2012;
- 1,050,000 options over ordinary shares with an exercise price of $0.30 each, exercisable upon meeting the above conditions and until 8 June 2013;
- 6,000,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting the above conditions and until 29 November 2011; and
- 2,500,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting the above conditions and until 29 November 2013.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.13 years (2010: 1.85 years).

The range of exercise prices for options outstanding at the end of the year was $0.20 - $0.35 (2010:$ $0.20 - $0.35).

The weighted average fair value of options granted during the year was $455,494 (2010: $1,476,700).

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

NOTE 16: SHARE BASED PAYMENT PLANS (Continued)

The following table lists the inputs to the model used for the years ended 30 June 2010 and 30 June 2011:

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7	Series 8
	29 Jun 10	29 Jun 10	31 Dec 10	31 Dec 10	22 Dec 09	24 Jul 09	23 Feb 09	22 Nov 08
Dividend yield (%)	0%	0%	0%	0%	0%	0%	0%	0%
Expected volatility (%)	153%	153%	208%	108%	97%	120%	135%	100%
Risk-free interest rate (%)	4.5%	4.5%	4.5%	4.5%	4.8%	4.3%	3.3%	4.5%
Expected life of option (years)	1.9	2.9	0.9	2.9	2.9	2.3	3.0	3.0
Exercise price (cents)	30c	30c	20c	20c	35c	20c	20c	20c
Grant date share price (cents)	22c	22c	11c	11c	30c	15c	18c	7c

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

NOTE 17: FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2010.
The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.
Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.
Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

	Consolidated	
	2011 $	2010 $
(b) Categories of financial instruments		
Financial assets		
Loans and receivables	1,065,133	1,069,434
Cash and cash equivalents	232,743	439,303
Financial liabilities		
Trade and other payables	18,273,162	6,361,923
Borrowings	1,191,474	1,596,311
Other financial liabilities	216,296	206,227

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in commodity prices.

(d) Foreign currency risk management

The Group does not have any exposure to foreign currency risk, other than its impact on the economy and commodity price generally.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

NOTE 17: FINANCIAL INSTRUMENTS (Continued)

(e) Credit risk management (Continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the company's and the Group's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Consolidated

	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	$	$	$	$	$
2011					
Non-interest bearing	4,717,667	381,114	13,076,475	97,906	-
Finance lease liabilities	36,692	108,885	302,721	743,176	-
	4,754,359	489,999	13,379,196	841,082	-
2010					
Non-interest bearing	3,068,471	3,666,272	-	-	-
Finance lease liabilities	32,939	65,928	319,223	1,178,220	-
	3,101,410	3,732,200	319,223	1,178,220	-

(g) Commodity price risk

The Group has exposure to gold price fluctuations due to gold sales being un-hedged. A 10% change (+/-) to the price of gold would have changed the current year result by $1,900,000. There would also have be a corresponding change in equity.

NOTE 18: COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee
The Group has not entered into commercial leases at the balance date.

Finance lease and hire purchase commitments - Group as lessee
The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.
Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2011		*2010*	
Consolidated	*Minimum lease payments $*	*Present value of lease payments $*	*Minimum lease payments $*	*Present value of lease payments $*
Within one year	533,313	478,367	546,777	509,093
After one year but not more than five years	808,798	682,460	1,329,424	1,151,679
Total minimum lease payments	1,342,111	1,160,827	1,876,201	1,660,772
Less amounts representing finance charges	(150,637)	(138,461)	(279,890)	(255,133)
Present value of minimum lease payments	1,191,474	1,022,366	1,596,311	1,405,639

Capital commitments
At 30 June 2011 the Group had no capital commitments.

Other expenditure commitments
Orders unexecuted for procurement of non capital related goods and services.
Commitments contracted for at balance date but not recognised as liabilities are as follows:

	Consolidated	
	2010 $	2010 $
Within one year	86,641	96,194
After one year but not more than five years	-	-

Remuneration Commitments
Relates to the service agreement with the Managing Director expiring on 23 October 2010, under which he is entitled to a payment equivalent to 6 months salary in the event that the Company terminates the agreement.
Commitment contracted for at balance date but not recognised as a liability.

	Consolidated	
	2011	2010
Within one year	-	150,000
After one year but not more than five years	-	-

NOTE 19: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of A1 Minerals Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2011	% Equity Interest 2010	Investment ($) 2011	Investment ($) 2010
Desertex Resources Limited	Australia	100%	100%	770,000	770,000
Less: Impairment				(770,000)	(770,000)
				-	-
Desertex Exploration Pty Ltd	Australia	100%	100%	1,546,004	1,546,004

A1 Minerals Limited is the ultimate Australian parent entity and ultimate parent of the Group.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Related party		Income from Related Parties $'000	Expenditure Related Parties $'000	Amounts Owed by Related parties $'000	Amounts Owed to Related parties $'000
Consolidated					
Loan to controlled entity	2011	-	-	2,458,388	-
Loan to controlled entity	2010	-	-	2,471,238	-

Terms and conditions of transactions with related parties
There are no Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured and interest free.

NOTE 20: PARENT ENTITY DISCLOSURES

Financial position

	30 June 2011 $	30 June 2010 $
Assets		
Current assets	2,189,053	1,266,635
Non-current assets	29,266,303	34,330,270
Total assets	31,455,356	35,596,905
Liabilities		
Current liabilities	18,904,197	7,314,503
Non-current liabilities	1,633,986	1,855,036
Total liabilities	20,538,183	9,169,539
Equity		
Issued capital	35,103,213	34,487,042
Accumulated losses	(27,962,177)	(11,446,473)
Reserves	3,776,137	3,386,797
Total equity	10,917,173	26,427,366

Financial performance

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Loss for the year	(16,923,683)	(5,900,505)
Other comprehensive income	-	-
Total comprehensive loss for the year	(16,923,683)	(5,900,505)

Contingent liabilities of the parent entity

	30 June 2011 $	30 June 2010 $
Purchase orders raised and unexecuted	86,641	96,194

For details on commitments, see Note 18.

NOTE 21: EVENTS AFTER THE BALANCE DATE

On 12 August 2011, the Company signed a Subscription Agreement with Stone Resources Limited a company listed in TSX Venture Exchange which provides for:

- a private placement of 89,730,000 ordinary shares at an issue price of $0.025; and,
- a $12,000,000 redeemable note at an interest of 5% per annum and convertible at $0.035 per share if exercised within 12 months of issuance, or if thereafter exercised at $0.06 per, or repayable 24 months after issuance and secured by a first ranking fixed and floating charge.

On 12 August 2011, the Company signed a deed of forbearance with Watpac Civil & Mining Pty Ltd which provides:

- Watpac Civil & Mining Pty Ltd agreement not to exercise the Enforcement Rights during the Forbearance period; and,
- a compromise of $2,500,000 of the amount owed to Watpac.

NOTE 22: AUDITOR'S REMUNERATION

The auditor of A1 Minerals Limited is HLB Mann Judd.

	Consolidated	
	2011 $	2010 $
Amounts received or due and receivable by HLB Mann Judd for:		
An audit or review of the financial report of the entity and any other entity in the Group	49,950	19,950
- tax compliance	4,220	5,000
	54,170	24,950
Amounts received or due and receivable by non HLB Mann Judd audit firms		
- other non audit services	-	5,920

NOTE 23: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Michael Hunt	Chairman (non-executive)
Ross Louthean	Director (non-executive)
Rick Stroud	Director (non-executive) (resigned 19 April 2011)
William Hobba	Technical Director
Albert Longo	Finance Director
John William	Managing Director (resigned 9 August 2010)

(ii) Executives

Albert Longo	Company Secretary

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

(b) Option holdings of Key Management Personnel (Consolidated)

						Vested as at end of period	
30 June 2011	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Exercisable	Not Exercisable
Directors							
Michael W Hunt	4,500,000	1,500,000	-	(1,000,000)	5,000,000	5,000,000	-
Ross Louthean	1,000,000	500,000	-	-	1,500,000	1,500,000	-
William Hobba	-	5,500,000	-	-	5,500,000	5,500,000	-
Albert Longo	1,000,000	500,000	-	(500,000)	1,000,000	1,000,000	-
Rick Stroud (resigned)	-	500,000	-	-	500,000	500,000	-
John Williams (resigned)	8,000,000	-	-	(1,000,000)	7,000,000	7,000,000	-
Executives							
	-	-	-	-	-	-	-
Total	14,500,000	8,500,000	-	(2,500,000)	20,500,000	20,500,000	-

 # Includes forfeitures

NOTE 23: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(b) Option holdings of Key Management Personnel (Consolidated) (continued)

30 June 2010	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Vested as at end of period Exercisable	Not Exercisable
Directors							
Michael W Hunt	5,000,000	2,000,000	(1,000,000)	(1,500,000)	4,500,000	4,500,000	4,500,000
John Williams	10,500,000	7,000,000	(2,500,000)	(7,000,000)	8,000,000	8,000,000	8,000,000
Ross Louthean	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Executives							
Tim Hronsky	1,000,000	5,000,000	-	(5,000,000)	1,000,000	1,000,000	1,000,000
Mark Pitts	500,000	-	-	-	500,000	500,000	500,000
Albert Longo	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Total	17,000,000	16,000,000	(3,500,000)	(13,500,000)	16,000,000	16,000,000	16,000,000

(c) Shareholdings of Key Management Personnel (Consolidated)

Ordinary shares held in A1 Minerals Limited (number)

30 June 2011	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period
Directors					
Michael Hunt	2,250,000	-	-	-	2,250,000
Ross Louthean	-	-	-	-	-
William Hobba (spouse Ms. Sandra Wheeler)	11,247,775	-	-	-	11,247,775
Albert Longo	-	-	-	-	-
Rick Stroud (resigned)	-	-	-	-	-
John Williams (resigned)	13,801,966	-	-	(6,260,000)	7,541,966
	27,299,741	-	-	(6,260,000)	21,039,741

NOTE 23: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)

(c) Shareholdings of Key Management Personnel (Consolidated) (continued)

Ordinary shares held in A1 Minerals Limited (number)

30 June 2010	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period
Directors					
Michael Hunt	-	-	1,000,000	1,250,000	2,250,000
John Williams	6,426,666	-	2,500,000	4,875,300	13,801,966
Ross Louthean	-	-	-	-	-
	6,426,666	-	3,500,000	6,125,300	16,051,966

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Other transactions and balances with Key Management Personnel

Some Directors and executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company during the reporting period. In each instance normal commercial terms and conditions applied. Terms and conditions were no more favourable than those available, or which might reasonably be expected to be available, for a similar transaction to unrelated parties on an arm's length basis.

The aggregate amounts recognised during the year relating to Directors and executives and their personally related entities, totalled an expense of $342,200 (2010: $152,742). Details of these transactions are set out in the following table:

30 June 2011	Transaction	2011	2010
Directors			
Michael Hunt	Legal fees	162,212	82,611
Ross Louthean	Media work	550	650
William Hobba	Engineering consultancy	165,330	-
Rick Stroud	Mining consultancy	14,108	-

The following balances were payable at balance date:

30 June 2011	Transaction	2011	2010
Directors			
Michael Hunt	Legal fees	89,768	42,156
Ross Louthean	Media work	550	650
William Hobba	Engineering consultancy	42,000	-

1. In the opinion of the directors of A1 Minerals Limited (the 'Company'):

    a. the accompanying financial statements, notes and the additional disclosures of the consolidated entity are 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 2011 and of its performance for the year then ended; and

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

    b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

    c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

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

Albert Longo
Finance Director
Dated this 30 day of September, 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of A1 Minerals 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 2011 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Note 1(e) to the financial statements which indicate that the ability of the Company to continue as a going concern and, therefore, meet its debts and commitments as and when they fall due is dependent upon a proposal to recapitalize the Company and the ongoing cashflow positive operations. Should the Company be unable to obtain sufficient funding there is a material uncertainty that may cast significant doubt over whether the Company will continue as a going concern and, therefore, whether it will realise its assets, and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

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

Auditor's Opinion

In our opinion, the Remuneration Report of A1 Minerals Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Glad

N G NEILL
Partner

Perth, Western Australia
30 September 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of A1 Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of A1 Minerals Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of A1 Minerals Limited for the financial year ended 30 June 2011 included on A1 Minerals Limited's website. The company's directors are responsible for the integrity of the A1 Minerals Limited website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report identified in this report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

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Liability limited by a scheme approved under Professional Standards Legislation
HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

Additional information required by the Australian Stock Exchange Limited and not disclosed elsewhere in this report is set out below

SHAREHOLDINGS AT 13TH OCTOBER 2011

Range	Number of Holders	Securities Held
1 - 1,000	151	17,669
1,001 - 5,000	298	956,265
5,001 - 10,000	382	3,226,298
10,001 - 100,000	1,179	45,416,020
100,001 - 9,999,999,999	332	151,052,173
	2,342	**200,668,425**

There are 1,393 shareholders holding unmarketable parcels represented by 14,372,151 shares

TOP 20 LARGEST SHAREHOLDERS

Shareholder	Shares Held	% of Issued Capital
MS SANDRA WHEELER	11,247,775	5.61
WAPIMALA PTY LIMITED	4,840,385	2.41
JP MORGAN NOMINEES AUSTRALIA LIMITED	3,508,235	1.75
EFFEX PTY LTD	3,400,000	1.69
MR MICHAEL JOHN COLTON	3,083,264	1.54
MR MURRAY JAMES HULL + MRS KATHLEEN VERONICA HULL <SUPER FUND A/C>	2,873,993	1.43
MR JOHN DENNIS WILLIAMS	2,791,966	1.39
MR JOHN SWAIN	2,714,913	1.35
MR JOHN KOPP + MRS HALINA KOPP	2,501,000	1.25
AMWELL PTY LTD	2,250,000	1.12
MR IANAKI SEMERDZIEV	2,250,000	1.12
MR ALAN MCGRATH + MRS MARGARET ROSANNE MCGRATH	2,240,584	1.12
ARCHEM TRADING NZ LIMITED	2,146,154	1.07
TRE PTY LTD	2,000,000	1.00
MRS DINAH SUSAN DUDNEY	1,835,000	0.91
MR FRIEND NOTHERS	1,792,000	0.89
MRS SURINDER KAUR NAGRA	1,774,488	0.88
NATIONAL NOMINEES LIMITED	1,726,666	0.86
FORTY TRADERS LIMITED	1,610,663	0.80
MR SHANE GORDON BROWN + MS JAYNE MAY ROLINSON	1,578,947	0.79
	58,166,033	**28.99**

VOTING RIGHTS

One vote for each ordinary share held in accordance with the Company's Memorandum and Articles of Association

SUBSTANTIAL SHAREHOLDERS

Name	Shares Held	% of Issued Capital
Sandra Wheeler	11,247,775	5.61

UNQUOTED ORDINARY SECURITIES

At the end of the financial year there were no ordinary fully paid shares subject to restriction agreements

	Lease	Status	Project	Lease Manager	Total Shares
APPLICATIONS					
NORTH LAVERTON	L38/205	Application	Delta	A1 Minerals Ltd	100
	L38/206	Application	Epsilon	A1 Minerals Ltd	100
APPLICATIONS					
SOUTH LAVERTON	L38/185	Application	Beta	A1 Minerals Ltd	100
	L38/188	Application	Beta	A1 Minerals Ltd	100
GRANTED TENEMENTS					
NORTH LAVERTON	E38/1937	Granted	Eta	A1 Minerals Ltd	100
	E38/2234	Granted	Eta	A1 Minerals Ltd	100
	E38/2332	Granted	Eta	A1 Minerals Ltd	100
	E38/2361	Granted	Eta	A1 Minerals Ltd	100
	M38/1241	Granted	Eta	A1 Minerals Ltd	100
	P38/3799	Granted	Eta	A1 Minerals Ltd	100
	P38/3159	Granted	Eta	A1 Minerals Ltd	100
	P38/3801	Granted	Eta	A1 Minerals Ltd	100
	P38/3874	Granted	Eta	A1 Minerals Ltd	100
	P38/3875	Granted	Eta	A1 Minerals Ltd	100
	E38/1936	Granted	Epsilon	A1 Minerals Ltd	100
	M38/160	Granted	Epsilon	A1 Minerals Ltd	100
	M38/339	Granted	Epsilon	A1 Minerals Ltd	100
	P38/3801	Granted	Epsilon	A1 Minerals Ltd	100
	P38/3871	Granted	Epsilon	A1 Minerals Ltd	100
	P38/3872	Granted	Epsilon	A1 Minerals Ltd	100
	E38/1618	Granted	Delta	A1 Minerals Ltd	100
	E38/2134	Granted	Delta	A1 Minerals Ltd	100
	E38/2135	Granted	Delta	A1 Minerals Ltd	100
	E38/2233	Granted	Delta	A1 Minerals Ltd	100
	L38/154	Granted	Delta	A1 Minerals Ltd	100
	M38/346	Granted	Delta	A1 Minerals Ltd	100
	M38/917	Granted	Delta	A1 Minerals Ltd	100
	M38/918	Granted	Delta	A1 Minerals Ltd	100
	P38/3781	Granted	Delta	A1 Minerals Ltd	100

	Lease	Status	Project	Lease Manager	Total Shares
GRANTED TENEMENTS					
SOUTH LAVERTON	M38/968	Granted	Alpha	A1 Minerals Ltd	100
	M38/1056	Granted	Alpha	A1 Minerals Ltd	100
	M38/1057	Granted	Alpha	A1 Minerals Ltd	100
	M38/1058	Granted	Alpha	A1 Minerals Ltd	100
	P38/3834	Granted	Alpha	A1 Minerals Ltd	100
	L38/171	Granted	Burtville	A1 Minerals Ltd	100
	M38/984	Granted	Burtville	A1 Minerals Ltd	100
	P38/2316	Granted	Burtville	A1 Minerals Ltd	100
	P38/3768	Granted	Burtville	A1 Minerals Ltd	100
	P38/3854	Granted	Burtville	A1 Minerals Ltd	100
	P38/3905	Granted	Burtville	A1 Minerals Ltd	100
	P38/3911	Granted	Burtville	A1 Minerals Ltd	100
	E38/2360	Granted	Beta	A1 Minerals Ltd	100
	E38/2364	Granted	Beta	A1 Minerals Ltd	100
	E38/2365	Granted	Beta	A1 Minerals Ltd	100
	L38/100	Granted	Beta	A1 Minerals Ltd	100
	L38/123	Granted	Beta	A1 Minerals Ltd	100
	L38/168	Granted	Beta	A1 Minerals Ltd	100
	L38/171	Granted	Beta	A1 Minerals Ltd	100
	M38/009	Granted	Beta	A1 Minerals Ltd	100
	P38/3829	Granted	Beta	A1 Minerals Ltd	100
	P38/3830	Granted	Beta	A1 Minerals Ltd	100
	P38/3831	Granted	Beta	A1 Minerals Ltd	100
	P38/3855	Granted	Beta	A1 Minerals Ltd	100
	P38/3856	Granted	Beta	A1 Minerals Ltd	100
	P38/3888	Granted	Beta	A1 Minerals Ltd	100
	P38/3889	Granted	Beta	A1 Minerals Ltd	100
	E38/1958	Granted	Gamma	A1 Minerals Ltd	100
	E38/2246	Granted	Gamma	A1 Minerals Ltd	100
	E38/2411	Granted	Gamma	A1 Minerals Ltd	100
	M38/241	Granted	Gamma	A1 Minerals Ltd	100
	M38/549	Granted	Gamma	A1 Minerals Ltd	100
	P38/3817	Granted	Gamma	A1 Minerals Ltd	100
	P38/3825	Granted	Gamma	A1 Minerals Ltd	100
	P38/3827	Granted	Gamma	A1 Minerals Ltd	100
	P38/3857	Granted	Gamma	A1 Minerals Ltd	100
	P38/3858	Granted	Gamma	A1 Minerals Ltd	100
	P38/3859	Granted	Gamma	A1 Minerals Ltd	100
	P38/3860	Granted	Gamma	A1 Minerals Ltd	100
	P38/3861	Granted	Gamma	A1 Minerals Ltd	100
SOUTH LAVERTON					
HAWKS NEST GROUP	M38/314	GRANTED	Hawks Nest	A1 Minerals Ltd	100
	M38/381	GRANTED	Hawks Nest	A1 Minerals Ltd	100
	M38/94	GRANTED	Hawks Nest	A1 Minerals Ltd	100
	M38/95	GRANTED	Hawks Nest	A1 Minerals Ltd	100

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