MUNGANA GOLDMINES

ABN 15 136 606 338

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE DIRECTORY

Board of Directors

Joseph Allen Treacy	Non-Executive Chairman
John Daniel Fitzgerald	Non-Executive Director
Justin Jian Yi Wu	Non-Executive Director
Patrick Noel Scott	Managing Director (Resigned 24/10/2013)
Ross Clive Hutton	Non-Executive Director (Resigned 24/10/2013)
Bruce Rathie	Non-Executive Director (Resigned 19/08/2013)

Company Secretary

Ben-Louis Ludik

Registered Office	Principal Office
Level 12 500 Queen Street Brisbane QLD 4000 Telephone: 07 3835 0800 Facsimile: 07 3832 5045	Level 12 500 Queen Street Brisbane QLD 4000 Telephone: 07 3835 0800 Facsimile: 07 3832 5045 Website: www.munganagoldmines.com.au
Auditors	**Share Registry**
Ernst & Young 111 Eagle Street Brisbane QLD 4000 Telephone: 07 3011 3333 Website: www.ey.com	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au

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DIRECTORS' REPORT

The Board of Directors presents its report in respect of the financial year ended 30 June 2014.

DIRECTORS

The names and details of the Directors and Company Secretary of Mungana Goldmines Ltd (MUX) in office at the date of this report or at any time during the financial year are:

Joseph Allen Treacy (Age 59) – Non-Executive Chairman

Appointed 16 April 2009 to date

Mr Treacy has over 30 years' experience as a geologist specialising in gold, base metals and industrial minerals exploration in Australia and overseas. He was appointed a director of Kagara Ltd (in Liquidation) (KZL). He is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Treacy is a member of both the Company's Audit Committee and the Remuneration and Nomination Committee. He is a member of the Australian Institute of Company Directors.

During the past three years Mr Treacy has also served as a director of the following other listed company:

- Executive Director of Kagara Ltd (in Liquidation) (1999 to date)

John Daniel Fitzgerald (Age 52) - Non-Executive Director

Appointed 3 July 2009 to date

Mr Fitzgerald has over 25 years' resource financing experience and has provided project finance, commodity risk management and advisory services to a large number of companies in the resource sector. Mr Fitzgerald has previously held positions as Head of Investec's Western Australian business, Head of Institutional and Corporate Banking for the Commonwealth Bank in Western Australia, Executive Director of HSBC Precious Metals and Director responsible for NM Rothschild & Sons resource financing business. Mr Fitzgerald is a Chartered Accountant, a Fellow of FINSIA and a graduate member of the Australian Institute of Company Directors. Mr Fitzgerald is the Chairman of both the Audit Committee and the Remuneration and Nomination Committee.

Mr Fitzgerald has held the following positions in the last three years in publicly listed companies.

- Non-Executive Chairman of Integra Mining Ltd (June 2010 to 15 November 2012)
- Non-Executive Director of Northern Star Resources Ltd (30 November 2012 to Date)

Justin Jian Yi Wu (Age 38) – Non-Executive Director

Appointed 1 May 2012 to date

Mr Wu is a representative of one of the Company's major shareholders, Guangdong Guangxin Holdings Group Ltd (GGHG), which has a 15.26% shareholding. Mr Wu has an MBA from the Auckland Institute of Studies and has worked in areas of investment supervision, operation supervision, international trade, sales and strategic marketing, with a solid understanding of Asia Pacific market demand. He is a member of both the Audit Committee and the Remuneration and Nomination Committee.

Patrick Noel Scott (Age 58) – Managing Director

3 July 2009 to 24 October 2013 (Resigned)

Mr Scott has 30 years' of international mining experience covering all aspects of the minerals industry, with a strong emphasis on the development and operation of gold mines.

Ross Clive Hutton (Age 66) – Non-Executive Director

17 July 2009 to 24 October 2013 (Resigned)

Mr Hutton has over 30 years' experience in the mining industry, having graduated from the University of Queensland in 1971 with a degree in mining engineering. He has held senior positions in national and international companies in the areas of mining, smelting and project development. Previously, Mr Hutton held the position of Vice President USA Operations with Pasminco. More recently, as a consultant, Mr Hutton conducted feasibility studies on mining projects in Iran and acted as construction superintendent for Kagara Ltd (in Liquidation) on the Mt Garnet Zinc project.

During the past three years Mr Hutton has also served as a director of the following other listed companies:

- Non-Executive Director of Drummond Gold Ltd (December 2007 - to date)
- Non-Executive Director Kagara Ltd (in Liquidation) (2003 to date)
- Non-Executive Director Apex Minerals Ltd (19 April 2012 to 3 December 2012)

Bruce Rathie (Age 58) – Non-Executive Director

16 September 2010 to 19 August 2013 (Resigned)

Mr Rathie is a lawyer and former investment banker who is now a professional Company Director. He holds degrees in law (LLB), commerce (B. Commerce) and business (MBA). He is also a Fellow of both AICD and AIM and is a member of Chartered Secretaries Australia and FINSIA.

Mr Rathie was previously a partner of a large Australian legal firm and Senior Corporate Counsel to Mr Robert Holmes a Court's Bell Resources Limited in the mid-1980's. He spent the 1990s in the finance industry in Sydney, the last five as Director – Investment Banking and Head of the Industrials Franchise Group at Salomon Brothers and then Salomon Smith Barney, where he handled that firm's roles in the privatisations of Qantas, Commonwealth Bank and Telstra. He has been a professional Non-Executive Director since 2000.

During the past three years Mr Rathie has also served as a director of the following other listed companies:

- Non-Executive Director DataDot Technology Limited (Oct 2009 to date)
- Non-Executive Director USCOM Limited (Dec 2006 to Aug 2011)
- Non-Executive Director Calzada Limited (Feb 2010 to date)

COMPANY SECRETARY

Ben-Louis Ludik (Age 41)

Appointed 22 November 2012 to date

Having previously worked with Deloitte and Magellan Metals, Mr Ludik is a Chartered Accountant with 19 years' experience in mining and manufacturing, and also serves as the Company's Chief Financial Officer. He holds an Honours Degree in Financial accounting, Master's degree in Auditing and an Honours Degree in Philosophy - Logistics Management. He is also a member of both the Institute of Chartered Accountants Australia and a fellow of Chartered Secretaries Australia.

Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of Mungana Goldmines Ltd are shown in the table below:

Director	Shares	Options
J Treacy	250,270	-
J Fitzgerald	27,143	250,000
J Wu	-	-

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were mineral exploration and development. There were no significant changes in the nature of the principal activities that occurred during the financial year.

OPERATING RESULTS

For the year ended 30 June 2014, the total comprehensive loss of the Group after income tax was $29,549,018 (2013: $16,007,134).

Included in the loss for the previous year is a legacy stamp duty expense and unpaid tax interest on this duty, totalling $12.4m (refer to Note 10 to the financial statements). The expense was reversed in the current year after a successful objection was lodged with the Queensland Office of State Revenue.

The carrying values of some of the exploration assets have been impaired in the financial year by $40.1m, including $11.7m from discontinued operations (2013: $nil). Refer to Note 6 to the financial statements.

The Group received a Research and Development grant of $2.27m from the Federal Government's Research and Development Tax Concession Scheme.

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year (2013: $nil).

REVIEW OF OPERATIONS

Acquisition of the Chillagoe assets in North Queensland

MUX, Kagara Ltd (in Liquidation) (KZL) and its wholly owned subsidiary Mungana Pty Ltd (in Liquidation) (MPL) have entered into an agreement under which the Chillagoe assets in North Queensland owned by KZL and MPL were sold to MUX. The transaction completed on 31 July 2014.

The key terms of the transaction were:

- The Chillagoe Assets sold to MUX;
- Consideration paid was $15 million;
- The consideration was paid via the issue of two Secured Convertible Note (SCN) instruments for A$7.5 million each;
    - The first instrument will convert at 10 cents per share upon payment to the Queensland Office of State Revenue of the stamp duty on the transaction.
    - The second instrument is convertible at the holders' election at 20 cents at any time up to 5 years from the date of issue of the instrument.
- Interest on the SCNs is at 7.5% payable in cash or shares at the option of MUX;
- The SCNs are redeemable at the option of MUX at any time prior to conversion;
- The obligations under the SCNs will be secured over all of the Chillagoe Assets, including the gold rights. This security will be in place until payment of the Stamp Duty on this transaction. It is expected to be paid in the December quarter 2014.

On completion of the acquisition, the parties agreed to:

1. Release each other from obligations under the Gold Rights Agreement dated 16 April 2010 between KZL, MPL and MUX (GRA);
2. Settle outstanding claims between KZL, MPL and MUX.

Sale of the Tunkillia Gold and Tarcoola Gold Projects

The Group acquired a 55% controlling interest in the Tunkillia Gold Project via the acquisition of Minotaur's wholly-owned subsidiary Minotaur Ventures Pty Ltd on 17 January 2012. The Group subsequently increased its interest in the project to 70% through the funding of drilling programs and a pre-feasibility study. On 19 July 2012 MUX purchased the Tarcoola Gold Project from Stellar Resources and LIDDS Pty Ltd.

MUX entered into a Sale and Purchase Agreement (SPA) with WPG Resources (ASX:WPG) to sell Tunkillia Gold Pty Ltd and its interests in the Tunkillia and Tarcoola Gold Projects in South Australia on 29 May 2014. Under the SPA MUX sold all of the issued capital of its wholly owned subsidiary Tunkillia Gold Pty Ltd, which holds its 70% JV interest in Tunkillia (Helix Resources Ltd 30%) and 100% interest in Tarcoola.

Key terms of the agreement

- WPG paid MUX $1.5 million in cash and 7.5 million fully paid ordinary shares in WPG (subject to voluntary escrow for 12 months);

- WPG will pay MUX a net smelter return royalty for attributable gold and silver produced from the Mineral Claim (MC 4347) area within the Tunkillia Gold Project based on the following sliding scale:
  - Gold Price per ounce < US$1,750 1.00% NSR
  - Gold Price per ounce US$1,750 to US$2,000 1.25% NSR
  - Gold Price per ounce US$2,000 or higher 1.50% NSR

- WPG will pay additional consideration of up to $1million in a number of stages, upon the achievement of certain milestones, as follows:

Amount	Trigger Event
$250,000 (in cash or WPG shares, at WPG's election)	The date on which there is established pursuant to the JORC Code a probable ore reserve of 100,000oz or more of gold within the Exclusive Area (Tarcoola) in addition to the JORC compliant resource identified within the Exclusive Area at the Commencement Date.
$250,000 (in cash)	The earlier of the commencement of mine construction and mining operations in any part of the Exclusive Area (Tarcoola).
$500,000 (in cash or WPG shares, at WPG's election)	The earlier of the commencement of mine construction and mining operations on MC 4347 (Tunkillia) or the area of any tenement succeeding or replacing MC 4347 which overlaps MC 4347.

Project Development

Exploration

Nyngan Project

Under the Joint Venture Farm-In Agreement executed 21 February 2013 between MUX and AngloGold Ashanti Australia Pty Ltd (AngloGold), AngloGold may earn a 70% interest in MUX's tenements by spending $4 million on Project expenditure by 31 December 2017. Under the Agreement, AngloGold must meet a minimum expenditure of $500,000 before the expiry of the first 12 months of the Farm-in Period, inclusive of at least $250,000 on geophysics. As of February 2014, AngloGold had exceeded the first year's minimum commitment with $833,000 expended, completing the gravity and IP geophysical surveys (inclusive of Land Access and field support).

AngloGold is the manager of the project and has the right to withdraw at any point after minimum commitment is met. The JV covered four tenements of which two have been relinquished in the last financial year after additional work showed no viable targets.

The remaining two tenements were relinquished after year end after all viable targets had been tested and eliminated. AngloGold subsequently withdrew from the JV with Nyngan (a wholly owned subsidiary of MUX).

Charters Towers Project

The Company has 8 tenements and one application in the Charters Towers area on ground it considers prospective for gold and base metal mineralisation. An internal data compilation and target review exercise will commence soon to assist in formulating a forward exploration strategy on this project.

Regional North Queensland

The Company has completed technical and strategic reviews of its North Queensland exploration tenure in the Laura, OK Mines and Chillagoe districts, and has decided to relinquish the tenements to focus on the Chillagoe assets.

Corporate

Significant Changes in the State Of Affairs

During the year the Company worked on resolving the issues relating to the voluntary administration of Kagara Ltd (in Liquidation) (KZL), who is MUX's largest shareholder (60.7%). The subsequent Acquisition of the KZL/MPL (in Liquidation) owned Chillagoe assets in North Queensland resulted in the Release of all parties from obligations under the Gold Rights Agreement and settled all outstanding claims between KZL, MPL and MUX.

Tunkillia Gold Pty Ltd (a wholly owned subsidiary of MUX) was sold along with its interests in the Tunkillia and Tarcoola Gold Projects in South Australia effective on 29 May 2014.

The cash position and cash forecast of the Group has been strengthened by the sale of Tunkillia Gold Pty Ltd, the successful objection against the legacy stamp duty assessment of $12.4m and the successful application for a Research and Development cash grant of $2.27m.

After Balance Date Events

The acquisition of the KZL/MPL (in Liquidation) owned Chillagoe assets in North Queensland completed on 31 July 2014 after shareholders voted in favour of the transaction at the EGM on 24 July 2014.

AngloGold Ashanti withdrew from the JV with Nyngan in July 2014.

The board took a decision in July 2014 to close the Brisbane office and take over the Townsville office from Karara Ltd (in Liquidation) as the main exploration office. The closure of the Brisbane office resulted in MUX having an onerous operating lease (refer to note 26 to the financial statements).

In late 2014 the Company recruited certain key ex-Kagara employees in order to pursue the North Queensland Zinc Strategy that was announced to the market on 24 June 2014. The positions filled included the position of a project manager, geologist and environmental officer. These employees will also allow the Company to maintain the Mining Leases and Exploration Permits in the Chillagoe and Charters Towers area.

Issue of Options

No options were issued during the year.

Options

As at the date of this report there were 1,450,000 options on issue. Refer to the remuneration report for further details of the options outstanding.

During the year ended 30 June 2014 no shares were issued following the exercise of options.

Future Developments, Prospects and Business Strategies

The Group intends to continue its current mineral exploration and development in Australia. Likely developments are included elsewhere in this report and will depend upon the availability of funds and success of the current exploration. The sale of the Tunkillia and Tarcoola projects (SA) and the finalisation of the Nyngan JV (NSW) left MUX operating only in Queensland with the Chillagoe exploration permits and Mining Leases and Charters Towers exploration permits.

Environmental Issues

The Group's operations are subject to various Commonwealth and State laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to and use of ground water. In particular, some operations are required to be licensed to conduct certain activities under the environmental protection legislation of the State in which they operate and such licenses include requirements specific to the subject site.

So far as the Directors are aware, there have been no material breaches of the Group's licenses and all exploration activities have been undertaken in compliance with the relevant environmental regulations.

Proceedings on Behalf of the Group

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

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

(a) Details of Directors and other Key Management Personnel

The following persons were Directors of the Company during the financial year:

(i) Executive Directors

Mr P Scott	Managing Director (Resigned 24 October 2013)

(ii) Non-Executive Directors

Mr J Treacy	Non-Executive Chairman
Mr J Fitzgerald	Non-Executive Director
Mr J Wu	Non-Executive Director
Mr R Hutton	Non-Executive Director (Resigned 24 October 2013)
Mr B Rathie	Non-Executive Director (Resigned 19 August 2013)

(iii) Other Key Management Personnel

The following persons also have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly during the financial year:

Mr B Ludik	Company Secretary and Chief Financial Officer
Mr T Cooney	General Manager – Project Development (Retrenched 13 December 2013)
Dr A McArthur	General Manager – Exploration (Retrenched 12 January 2014)

(b) Principles used to determine the nature and amount of remuneration

The Company's executive remuneration framework aligns executive remuneration with the achievement of strategic objectives and conforms to market best practice. The Board of Directors ensures that the executive remuneration is competitive and reasonable, acceptable to shareholders, transparent and aligns remuneration with performance.

Due to the Voluntary Administration of Kagara Ltd (in Liquidation) and the Stamp Duty assessment received in February 2013 the board decided on cost saving measures in April 2013 to preserve the cash position of Mungana Goldmines Ltd and to position the Group to deal with the corporate challenges it's facing in the best way possible. These measures included changes to the nature and amounts of remuneration to the board and key management personnel.

The majority of these measures were lifted post completion of the purchase of Kagara's (in Liquidation) Chillagoe assets.

(i) Non-Executive Directors

Payments to Non-Executive Directors reflect the demands which are made on and the responsibilities of the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board of Directors. Non-Executive Directors' fees are determined in accordance with the aggregate Non-Executive Directors' fee limit as approved by shareholders. The maximum aggregate currently stands at $500,000. There are no retirement schemes or allowances for Non-Executive Directors. The base pay of Non-Executives is inclusive of statutory superannuation.

(ii) Executives

The Executive pay and reward framework includes the payment of base pay, superannuation and long term incentives through the issue of options. It also includes the payment of short term incentives through the payment of cash bonuses for achieving set key performance indicators.

The base pay of Executives is inclusive of statutory superannuation and is structured as a total employment package which may be delivered as a mix of cash and prescribed non-financial benefits at the Executives' discretion, without creating undue cost for the Company.

(c) Details of Remuneration of Specified Directors and Key Management Personnel

Details of the nature and amount of each element of the remuneration for each Director and each of the Key Management Personnel of the Company are set out in the following tables. As at the date of this report, the following options were on issue to Directors and other key management personnel as part of their remuneration.

			Movements during the financial year					
Recipient	**Expiry Date**	**Exercise Price Range**	**1 July 2013**	**Granted**	**Exercised**	**Expired/ forfeited**	**30 June 2014**	**Vested & Exercisable**
P Scott	14/4/2015	$1.50 - $2.50	6,000,000	-	-	6,000,000	-	-
J Fitzgerald	17/11/2015	$2.00	250,000	-	-	-	250,000	250,000
R Hutton	17/11/2015	$2.00	250,000	-	-	250,000	-	-
B Rathie	17/11/2015	$2.00	250,000	-	-	250,000	-	-
B Ludik	1/10/2015	$1.55 - $2.50	1,200,000	-	-	-	1,200,000	800,000
T Cooney	2/8/2015	$1.50 - $2.50	1,200,000	-	-	1,200,000	-	-
A McArthur	20/9/2015	$1.52 - $2.50	1,200,000	-	-	1,200,000	-	-
			10,350,000	-	-	8,900,000	1,450,000	1,050,000

During the year ended 30 June 2014 no options were exercised or issued. At 30 June 2014, no options were vested and unexercisable.

Shareholdings (held both directly and indirectly) of Key Management Personnel are disclosed in the table below:

Directors	**Balance at 1 Jul 2013**	**Granted as remuneration**	**On Exercise of Options**	**Net Change Other**	**Balance at 30 Jun 2014**
J Treacy	150,270	-	-	100,000	250,270
P Scott (resigned 24 Oct 13)	75,000	-	-	(75,000)	-
J Fitzgerald	27,143	-	-	-	27,143
R Hutton (resigned 24 Oct 13)	35,000	-	-	(35,000)	-
B Rathie (resigned 19 Aug 13)	5,000	-	-	(5,000)	-
Total	292,413	-	-	(15,000)	277,413

2014	Short Term		Post-Employment			Share-based Payments[1]			
	Salary & Fees	Cash Bonus	Super-annuation	Termination Payments	**Cash Total**	Options	**Total**	Performance Related %	% consisting of options
Directors									
J Treacy[2]	55,046	-	5,092	-	**60,138**	-	60,138	-	-
P Scott[6]	77,273	-	16,035	318,738	**412,046**	85,897[8]	497,943	-	17%
J Fitzgerald[2]	55,046	-	5,092	-	**60,138**	-	60,138	-	-
R Hutton[6]	9,573	-	885	-	**10,458**	-	10,458	-	-
B Rathie[6]	9,174	-	849	-	**10,023**	-	10,023	-	-
J Wu[2]	33,027	-	3,055	-	**36,082**	-	36,082	-	-
Key Management Personnel									
B Ludik	260,092	25,000[5]	24,058	-	**309,150**	54,371	363,521	7%	15%
T Cooney[7]	88,248	-	11,594	89,004	**188,846**	13,975[9]	202,821	-	7%
A McArthur[7]	109,015	-	9,976	119,677	**238,668**	21,168[10]	259,836	-	8%
	696,494	25,000	76,636	527,419	**1,325,549**	175,411	1,500,960		

2013	Short Term		Post-Employment		Share-based Payments[1]			
	Salary & Fees	Cash Bonus	Super-annuation	**Cash Total**	Options	**Total**	Performance Related %	% consisting of options
Directors								
J Treacy[2]	70,336	-	6,330	**76,666**	-	76,666	-	-
P Scott	394,099	41,199[4]	25,000	**460,298**	414,298	874,596	5%	47%
J Fitzgerald[3]	93,540	-	8,419	**101,959**	20,498	122,457	-	17%
R Hutton	51,338	-	4,620	**55,958**	20,497	76,455	-	27%
M McConnell[6]	58,335	-	5,250	**63,585**	151,402[11]	214,987	-	70%
B Rathie[3]	93,540	-	8,419	**101,959**	20,497	122,456		17%
J Wu	51,338	-	4,620	**55,958**	-	55,958	-	-
Key Management Personnel								
J Robinson[6]	81,287	-	7,316	**88,603**	24,323[12]	112,926	-	22%
B Ludik	259,971	15,606[4]	23,529	**299,106**	123,058	422,164	4%	29%
T Cooney	322,156	19,940[4]	25,000	**367,096**	87,347	454,443	4%	19%
A McArthur	292,799	17,917[4]	21,850	**332,566**	101,925	434,491	4%	23%
	1,768,739	94,662	140,353	**2,003,754**	963,845	2,967,599		

(1) The value of options is the fair value of the options calculated at grant date using a Black-Scholes option-pricing model, amortised over the vesting period of the options.
(2) Directors' fees had been reduced as part of cost saving measures implemented. These measures were lifted in August 2014.
(3) Included in the 2013 Salary & Fees for both J Fitzgerald and B Rathie is an additional $42k for services rendered through the year and for serving on the IBC sub-committee.
(4) In 2013, the cash bonuses were paid to the Managing Director and other Key Management Personnel based on a ratio of 50% company and 50% personal performance indicators.
(5) The bonuses paid in 2014 were based on reaching key milestones in the company restructure.
(6) Resignations were as follows: Pat Scott – 24 October 2013; Ross Hutton – 24 October 2013; Bruce Rathie – 19 August 2013; Jeremy Robinson – 23 November 2012; and Mark McConnell – 21 November 2012
(7) Retrenchments were as follows: Tom Cooney - 13 December 2013 and Adrian McArthur - 12 January 2014.
(8) Amount excludes reversal of $496,069 relating to options forfeited during the year. Inclusion of this amount results in total remuneration for P. Scott of $1,874.
(9) Amount excludes reversal of $78,806 relating to options forfeited during the year. Inclusion of this amount results in total remuneration for T. Cooney of $124,015.
(10) Amount excludes reversal of $70,661 relating to options forfeited during the year. Inclusion of this amount results in total remuneration for A. McArthur of $189,175.
(11) Amount excludes reversal of $603,933 relating to options forfeited during the year. Inclusion of this amount results in total remuneration for M. McConnell of ($388,946).
(12) Amount excludes reversal of $146,945 relating to options forfeited during the year. Inclusion of this amount results in total remuneration for J. Robinson of ($34,019).

(d) Service Agreements

Remuneration for Executive Directors and Key Management Personnel is formalised in service contracts and includes base pay, superannuation, bonuses and long term incentives through the issue of options. These agreements do not have a fixed term and have a termination benefit payable on early termination by the Company, other than for gross misconduct, equal to a maximum of six months of base salary.

The remuneration of Executive Directors and Key Management Personnel is reviewed annually and is set to reflect the market for a comparable role.

The Company has in place a system of Short Term Incentives (STI) and Long Term Incentives (LTI) for employees. The board views this as essential in both attracting and retaining people of the calibre required in the current job market. In constructing both the STI and LTI programs the Company has taken regard to current industry standard practice and has drawn on both its own board's experience and external advice when designing them.

The STI program consists of cash bonuses being available every 6 months and payable 6 months after earning given ongoing employment with the Company. Eligible employees are able to earn a cash bonus of up to 20% of their base salary every six months in this manner. Goals are suggested by the CEO/Board and reviewed by the Remuneration and Nomination Committee with recommendation to the board for approval. The goals set are 50% common amongst all eligible employees and relate to common goals of the Company. The other 50% are goals specific to the eligible employees and are designed to focus the attention towards important job specific areas. Determination of the level of achievement of the goals is done in the same way as the goals are set.

Key Management Personnel - STI earned as a proportion of base salary (excluding superannuation)	2014 %	2013 %
P Scott (1)	-	10.5
B Ludik	9.6	6.0
T Cooney (2)	-	6.2
A McArthur (3)	-	6.1

(1) Pat Scott resigned on 24 October 2013.
(2) Tom Cooney was retrenched on 13 December 2013
(3) Adrian McArthur was retrenched on 12 January 2014.

The LTI program consists of issuing options to employees either via the shareholder approved Employee Share Option Plan or via direct shareholder approval. The exercise price of the options is set such that the employee will have no assessable income created by the issuance of the option in accordance with Division 83A of the *Income Tax Assessment Act 1997*; resulting in the exercise price being greatly above that of the current market price of the underlying securities. The granting of options to employees is designed to better align the interests of all employees with that of shareholders.

(e) Share Based Compensation – Options

No options were granted as equity compensation benefits to Directors and Key Management Personnel during the 2014 financial year.

Details of options that vested during the reporting period are as follows:

Directors	Grant date	No. of Options	Option fair value at grant date $	Exercise price per option $	Total value of options $	Expiry date	Vesting and First exercise date	% of options vested
Vested Options								
T Cooney (1)	02/08/2010	400,000	0.3602	2.00	144,080	02/08/2015	01/08/2013	100%
B Ludik	01/10/2010	400,000	0.4402	2.00	176,080	01/10/2015	30/09/2013	100%
A McArthur (2)	20/09/2010	400,000	0.3733	2.00	149,320	20/09/2015	19/09/2013	100%
		1,200,000			469,480			

(1) Tom Cooney was retrenched on 13 December 2013 and all his options forfeited 3 months later as per the Employee Share Option Plan.
(2) Adrian McArthur was retrenched on 12 January 2014 and all his options forfeited 3 months later as per the Employee Share Option Plan.

(f) Analysis of movement of options granted as part of remuneration

2014	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed/forfeited during the year $	Total value of options granted, exercised and lapsed during the year $
Director				
J Treacy	-	-	-	-
P Scott (1)	-	-	2,578,000	(2,578,000)
J Fitzgerald	-	-	-	-
R Hutton (1)	-	-	107,025	(107,025)
B Rathie (1)	-	-	107,025	(107,025)
Key Management Personnel				
B Ludik	-	-	-	-
T Cooney (2)	-	-	437,320	(437,320)
A McArthur (2)	-	-	452,120	(452,120)

(1) Resignations were as follows: Pat Scott – 24 October 2013; Ross Hutton – 24 October 2013; Bruce Rathie – 19 August 2013;
(2) Tom Cooney was retrenched on 13 December 2013 and Adrian McArthur was retrenched on 12 January 2014.

(g) Shares issued on exercise of remuneration options

There were no shares issued on the exercise of compensation options in the 2014 financial year.

(h) Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return since the Consolidated Entity's listing on the ASX are summarised below:

Measures	2014 $	2013 $	2012 $
Share price at end of financial year	0.105	0.065	0.33
Market capitalisation at end of financial year ($m)	17.29	10.44	53.02
Profit/(loss) for the financial year	(29,616,518)	(16,007,134)	(88,514,363)
Cash spend on exploration programs	1,008,053	7,510,760	9,973,055
Director and Key Management Personnel remuneration	1,500,960	2,967,599	4,425,249

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company issues options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

End of Remuneration Report

DIRECTORS' MEETINGS

The table below shows the Directors' meetings held during the year and the number of meetings attended by each Director:

	Board Meetings		Remuneration & Nomination Committee Meetings(2)		Audit Committee Meetings(2)	
	Held	Attended	Held	Attended	Held	Attended
P N Scott (1)	4	4	-	-	-	-
J A Treacy	9	9	1	1	2	2
J D Fitzgerald	9	9	1	1	2	2
R C Hutton (1)	4	3	-	-	1	1
B Rathie (1)	1	1	-	-	-	-
J Wu	9	9	1	1	1	1

(1) Resignations were as follows: Pat Scott – 24 October 2013; Ross Hutton – 24 October 2013; Bruce Rathie – 19 August 2013;
(2) Since the reduction of the board to 3 members in October 2013, all Audit Committee Meetings and Remuneration & Nomination Committee Meetings were held as part of the general Board Meetings with all Directors in attendance.

As at the date of this report, the Company had an Audit Committee of the Board of Directors. The Audit Committee comprises the following Non-Executive Directors: Mr J Fitzgerald (Chairman), Mr R Hutton (resigned 24 October 2013), Mr J Wu, Mr B Rathie (resigned 19 August 2013) and Mr J Treacy.

As at the date of this report, the Company had a Remuneration and Nomination Committee. The Remuneration and Nomination Committee comprises the following Non-Executive Directors: Mr J Fitzgerald (Chairman), Mr J Wu and Mr J Treacy. (Mr B Rathie resigned 19 August 2013.)

Until 19 August 2013, the Company had an Independent Board Committee of the Board of Directors. The Independent Board Committee comprised the following Directors: Mr B Rathie (Chairman) (resigned 19 August 2013), Mr P Scott (resigned 24 October 2013) and Mr J Fitzgerald.

Due to the reduction of Directors' numbers during the year, Audit and Remuneration & Nomination matters are now dealt with at Board meetings. In case of dispute, Mr J Fitzgerald still chairs these committees.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

During the financial year, the Company paid a premium to insure the Directors and Officers of the Company against liabilities incurred by such an officer to the extent permitted by the *Corporations Act 2001*. The Officers of the Company covered by the insurance policy include any person acting in the course of duties for the Company who is or was a Director, Secretary or Executive Officer as well as Senior Executive staff. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

The Company has not otherwise during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

Ernst & Young did not provide any non-audit services during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 16.

Signed in accordance with a resolution of the Directors.

J TREACY
CHAIRMAN
Brisbane, Queensland
1 September 2014

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Auditor’s Independence Declaration to the Directors of Mungana Goldmines Ltd

In relation to our audit of the financial report of Mungana Goldmines Ltd for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Tom du Preez
Partner
1 September 2014

CORPORATE GOVERNANCE STATEMENT

Mungana Goldmines Ltd ("Company") is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has endorsed, and is committed to implementing, the second edition of the Australian Securities Exchange (ASX) *Corporate Governance Council's Principles and Recommendations (ASX Principles and Recommendations).*

Where the Company's corporate governance practices do not correlate with the practices recommended by the ASX Corporate Governance Council, the Company does not consider it practicable or necessary to implement these principles due to the size and stage of development of its operations and the Board's reasoning for any departure is explained. However, where departures exist, the Board and management are committed to the progressive implementation of the ASX Principles and Recommendations, appropriate to each stage of the Company's development.

Set out below are the fundamental corporate governance practices of the Company.

1. The Board Lays Solid Foundations for Management and Oversight

Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to familiarise themselves with the Company's operations to enable them to carry out their duties as a Director of the Company; any candidate will confirm that they have the necessary time to devote to their Company Board position prior to appointment. In addition, Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment.

Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary in order to carry out the objectives of the Company.

The Board is responsible for governing the Company and for setting the strategic direction.

The Board has established the following committees to assist it in discharging its functions:

- Audit Committee; and
- Remuneration & Nomination Committee.

Board responsibilities are set out in the Board Charter which is available on the Company's website under "Corporate Governance". A summary of the Board's responsibilities is as follows:

- appointing and, where appropriate, removing the Managing Director/CEO of the Company;
- ratifying the appointment and, where appropriate, removing the Chief Financial Officer and the Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying the systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving the annual budget;
- monitoring the financial performance of the Company;
- approving and monitoring financial and other reporting;
- providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- appointing the external auditor (where applicable, based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- liaising with the Company's external auditors and Audit Committee; and

- monitoring and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board holds regular meetings and meets as frequently as may otherwise be required to deal with urgent matters, which might arise between the scheduled meetings. Directors' attendance at meetings this year is set out in the Directors' Report section of this Annual Report.

In carrying out its governance role, the main task of the Board is to oversee the performance of the Company. The Board is committed to the Company's compliance with all of its contractual, statutory, ethical and any other legal obligations, including the requirements of any regulatory body.

It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. Senior executives are provided with a formal job description and an employment contract describing their term of appointment, duties, rights, responsibilities and rights on termination.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all company information and to the Company's executives. Further, each Director and the Board collectively, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, with the approval of the Chairman, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Performance Review/Evaluation

Senior Executives' key performance indicators (KPI) are set annually, with performance appraised by the Managing Director or Board, and reviewed by the Remuneration & Nomination Committee at the end of the financial year.

The focus of the appraisal is to measure performance against qualitative and quantitative KPI. Where appropriate, these KPI are linked to long term and short term incentive components of each executive's remuneration package. This ensures objectives are aligned to the Company's business plan. A formal appraisal process was undertaken during 2013.

The chairperson is responsible for conducting an annual review of the Board's performance. The Board undertakes a collective self-assessment process of the Board, committee and Directors annually, the purpose of this review is to define areas in which the Board excels and areas which need focussed attention for improvement.

Education and Induction

New Directors will undergo an induction process in which they will be given a full briefing on the Company and its operations. Where possible, this will include meetings with key executives, tours of premises and projects, provision of a due diligence package and presentations from management.

Executives also undergo an induction program to gain an understanding of the Company's financial position, its strategies, operations and risk management framework and the respective roles of the Board and management.

2. The Board is Structured to Add Value

Composition of the Board and Details of Directors

To add value to the Company, the Board has been formed so that it has an effective composition, size, commitment, skills and experience to adequately discharge its responsibilities and duties.

The Company currently has three Directors,. Mr Joe Treacy (Chairman of the Board), Mr John Fitzgerald and Mr Justin Wu. Further details about the Directors are set out in the Directors' Report section of this Annual Report.

With reference to the factors affecting independent status as set out in the *ASX Principles and Recommendations*, Mr John Fitzgerald is considered by the Board to be an independent Non-Executive Director. The remaining two Non-Executive Directors are not independent because they are associated directly with a substantial shareholder of the Company.

The independence of Non-Executive Directors is assessed annually. The Directors acknowledge that a majority of the Board is not independent; nevertheless all incumbent Directors bring an independent judgment to bear in Board deliberations and the current representation is considered adequate given the Company's size and the stage of development.

The Company recognises that its Chairman, Mr Joe Treacy, is not independent as recommended by the *ASX Principles and Recommendations*, however, the Board selects the most suitable candidate to lead the Board and at the current stage of development of the Company, the most suitable person to be appointed as Chairman is Mr Treacy.

In appointing Directors, the Board must ensure that any candidate has the appropriate range of skills, experience and expertise that will best complement Board effectiveness. The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. It is the approach and attitude of each Non-Executive Director which is important in determining independence and this must be considered in relation to each Director, while taking into account all other relevant factors including those set out in the Board Charter. Where practicable, there is a clear division of responsibility between the Chairman and the Managing Director/Chief Executive Officer.

As set out above, any Director of the Company is entitled to access independent legal, financial or other advice as they consider necessary at the reasonable expense of the Company on any matter connected with the discharge of their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

The term of office held by each Director at the date of this Annual Report is set out in the Directors' Report section of this Annual Report.

Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee combines the roles of the Remuneration Committee and Nomination Committee and both have a formal charter approved by the Board. These charters are available on the Company's website under "Corporate Governance".

The Remuneration and Nomination Committee (Committee) consists of three Non-Executive Directors: Mr John Fitzgerald (Chairman of the Committee), Mr Justin Wu and Mr Joe Treacy (Mr Bruce Rathie resigned 19 August 2013). Only Mr John Fitzgerald is an independent, Non-Executive Director and hence there is not a majority of independent Directors on the Committee. Further details about the members of the Committee and their attendance at Committee Meetings are set out in the Directors' Report section of this Annual Report.

3. The Board Promotes Ethical and Responsible Decision Making

Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key senior executives of the Company have agreed to keep confidential information received in the course of the exercise of their duties and will not disclose non-public information, except where disclosure is authorised or legally mandated.

Company Code of Conduct

The Company is committed to operating ethically, honestly, responsibly and legally in all its business dealings. Accordingly, the Company requires employees to act in the Company's best interests in a professional, honest and ethical manner and in full compliance with the law, both within and on behalf of the Company.

The Company has an established Code of Conduct (Code) which outlines the behaviour that is expected of employees. The Code governs all the Company's operations and the conduct of Directors, management and employees when they represent the Company.

The Code clearly sets out the process for dealing with complaints or breaches. The Board, senior executives, management and all employees of the Company are committed to implementing this Code and each individual is accountable for such compliance.

A copy of the Code is given to all Directors and senior executives. Appropriate training is provided for Directors, senior executives and employees on a regular basis, where applicable.

A copy of this Code is available on the Company's website under "Corporate Governance".

Trading in Company Securities

The Company has adopted a Policy for Trading in Company Securities for the Directors, senior executives and other employees of the Company, which is appropriate for a company whose shares are admitted to trading on the ASX. The Company takes all reasonable steps to ensure compliance by its Directors, senior executives and any other relevant employees.

Certain employees, officers, senior executives and Directors are required to advise the Company Secretary of their intentions prior to undertaking any transaction in the Company's securities. If an employee, officer, senior executive or Director is considered to possess material non-public information, they will be precluded from making a security transaction until after the time of public release of that information.

The Policy for Trading in Company Securities is available on the Company's website under "Corporate Governance" and has also been lodged with the ASX.

Diversity Policy

The Company has adopted a Diversity Policy and is committed to a corporate culture which embraces diversity when determining the composition of the Board, senior management and employees, including with its recruitment and selection process. The Company's hiring processes ensure that recruitment and selection decisions are based on the principle of merit and a person's skills and qualifications, regardless of their age, gender, nationality, cultural background or any other factor not relevant to the position.

The percentages of female employees in the whole organisation, senior management and the Board are as follows:

Whole organisation: 33.3%
Senior Management: NIL
Board: NIL

4. The Board Safeguards Integrity in Financial Reporting

Audit Committee

The Board has established an Audit Committee to assist the Board. The responsibilities of the Committee are set out in a formal charter approved by the Board. This Charter is available on the Company's website under "Corporate Governance".

The Audit Committee consists of three Non-Executive Directors: Messrs John Fitzgerald, Joe Treacy and Justin Wu. Only the Chairman of the Committee, Mr Fitzgerald is an independent, Non-Executive Director, therefore there is not a majority of independent directors on the Audit Committee.

The Directors review the performance and independence of the external auditors on an annual basis and meet with them at least twice during the year. At the time of the half-year review and full-year audit of the Company's financial statements, the external auditor formally presents to the Audit Committee a certificate confirming their independence. At its absolute discretion, the Audit Committee, or its members, may meet outside of a Committee Meeting with the external auditors.

The incumbent external auditor was appointed in 2012 and rotates audit partners on a periodic basis.

Details of the Members of the Audit Committee and their attendance at Committee Meetings are set out in the Directors' Report section of this Annual Report.

5. The Board Makes Timely and Balanced Disclosure

Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Board has established a written policy for ensuring compliance with ASX Listing Rule disclosure requirements. A copy of the Continuous Disclosure Policy is available on the Company's website under "Corporate Governance".

Commentary on Financial Results

In accordance with ASX Listing Rule 4.10.17, this Annual Report contains a review of the operations of the Company, which is set out in the Directors' Report section of this Annual Report.

6. The Board Respects the Rights of Shareholders

Shareholder Communications

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, the Company has established a Shareholder Communication Strategy which is available on the Company's website under "Corporate Governance".

All shareholders who elect to can receive a copy of the Company's Annual Report and both the annual and half yearly reports are posted on the Company's website. Quarterly reports are prepared in accordance with ASX Listing Rules and are also posted on the Company's website. Regular updates on operations are made via ASX releases. All information disclosed to the ASX is posted on the Company's website as soon as possible after it is disclosed to the ASX.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the preparation and content of the audit report.

Where possible, the Company will arrange for advance notification to shareholders of significant group briefings. Presentations to be made at such briefings, which contain information not previously released to shareholders, will be released to shareholders via the ASX and published on the Company's website. The Company will also keep a summary record (for internal use) of the issues discussed at briefings with investors and analysts.

7. The Board Recognises and Manages Risk

The Board has established the Audit Committee to assist the Board with its risk management responsibilities. Regular monitoring of risks and risk management is conducted by this Committee and any material risks are reviewed by the Board. The Company has established a policy for oversight and management of material business risks and a copy of the Risk Management Policy is available on the Company's website under "Corporate Governance".

The Board has implemented the following control framework:

Financial reporting: A comprehensive budget is approved by the Board. Monthly results are reported against budget and revised forecasts are prepared regularly;

Special functional reporting: The Board has identified a number of key areas which are subject to regular reporting to the Board such as safety, environmental, insurance and operational matters; and

Investment appraisal: The Board has set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Capital expenditure and revenue commitments that exceed a delegated authority will require prior Board approval. Procedures have been established to ensure business transactions are properly authorised and executed. Compliance with these procedures may be scrutinised by the external auditor.

The Company endeavours to review its internal control systems annually and where it is not practical to review the internal control system annually, in whole or in part, it will endeavour to review the specific internal control on another basis, e.g. two years.

Management of Material Business Risks

The Management of the Company has designed and implemented the risk management and internal control systems to manage the Company's material business risks. Except for assurances from the Chief Financial Officer in relation to financial reporting risks, the Board has not received a report from management on whether the Company's material business risks are being managed effectively because the Company is in the process of further developing its risk management framework and internal reporting processes given its early stage of development. However, the aim is to implement risk management reporting on a periodic basis and then be in a position to report as to the effectiveness of the Company's management of material business risks going forward.

Attestations by Chief Financial Officer

In accordance with Recommendation 7.3 of the *ASX Corporate Governance Principles and Recommendations,* the Chief Financial Officer have stated in writing to the Board:

"That:

- the statement given in accordance with section 295A of the *Corporations Act 2001*, is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks."

8. The Board Remunerates Fairly and Responsibly

Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee (Committee) is set out in a formal charter approved by the Board. This Charter is available on the Company's website under "Corporate Governance". The function of the Committee is to ensure the Board fulfils its corporate governance responsibilities with respect to remuneration by reviewing and making recommendations on the remuneration of Directors and senior executives and making recommendations on employee incentive and equity-based plans.

Details of the members of the Remuneration & Nomination Committee and their attendance at Committee Meetings are set out in the Directors' Report section in this Annual Report.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors. The Board reviews Non-Executive Directors' fees and payments annually and any increase over the Non-Executive Director aggregate fee pool limit is subject to shareholder approval.

The Company does not have any scheme for retirement benefits in place, other than superannuation, for Non-Executive Directors. Superannuation payments are in accordance with the requirements of the Superannuation Guarantee legislation.

Executive Directors and Senior Executives

As mentioned previously, each member of the executive team has signed a formal employment contract at the time of their appointment, covering a range of matters including their rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information to Directors' and senior executives' remuneration is set out in the Directors' Report section of this Annual Report and Note 16 to the financial statements.

No employee of the Company is permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme, or otherwise awarded, or which will be offered by the Company in the future.

Details of the Company's remuneration policies are set out in the Remuneration Report in the Directors' Report section of this Annual Report.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue	2	**98**	435
Expenses:			
Administration expenses consisting of:			
Cost of employment		**(1,363)**	(1,741)
Consultants		**(306)**	(971)
Other admin costs		**(860)**	(987)
Depreciation expense		**(217)**	(135)
Stamp duty expense	10	**12,195**	(12,196)
Interest on stamp duty	10	**244**	(244)
Share based payments		**724**	(186)
Impairment losses – Trade Receivables	5	**-**	18
Exploration assets written off	6	**(28,424)**	-
Loss before income tax		**(17,909)**	(16,007)
Income tax expense	3	**-**	-
Loss for the year from continuing operations attributable to the owners of Mungana Goldmines Ltd		**(17,909)**	(16,007)
Loss after tax for the year from discontinued operations	28	**(11,707)**	-
Loss for the year attributable to the owners of Mungana Goldmines Ltd		**(29,616)**	(16,007)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain/(loss) on available-for-sale financial assets, net of income tax	8	**67**	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-**	-
Other comprehensive income/(loss) for the year, net of tax		**67**	**-**
Total comprehensive income/(loss) for the year, net of tax, attributable to the owners of Mungana Goldmines Ltd		**(29,549)**	(16,007)
		Cents	Cents
Earnings per share			
Basic loss per share	25	**(18.28)**	(9.96)
Diluted loss per share	25	**(18.28)**	(9.96)
Earnings per share for continuing operations			
Basic loss per share	25	**(11.06)**	(9.96)
Diluted loss per share	25	**(11.06)**	(9.96)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	4	**5,177**	4,200
Trade and other receivables	5	**95**	150
TOTAL CURRENT ASSETS		**5,272**	4,350
NON-CURRENT ASSETS			
Capitalised exploration expenditure	6	**18,923**	62,024
Plant and equipment	7	**193**	437
Investments in listed companies	8	**307**	-
Other non-current assets		**170**	168
TOTAL NON-CURRENT ASSETS		**19,593**	62,629
TOTAL ASSETS		**24,865**	66,979
CURRENT LIABILITIES			
Trade and other payables	9	**2,239**	2,398
OSR Liability	10	**-**	11,740
Provisions	11	**47**	106
TOTAL CURRENT LIABILITIES		**2,286**	14,244
TOTAL LIABILITIES		**2,286**	14,244
NET ASSETS		**22,579**	52,735
EQUITY			
Share capital	12	**155,163**	155,046
Reserves	13	**3,587**	4,244
Accumulated losses		**(136,171)**	(106,555)
TOTAL EQUITY		**22,579**	52,735

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements

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Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Share Capital $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2012	155,046	4,058	(90,548)	68,556
Transactions with owners in their capacity as owners				
Contributions of equity	-	-	-	-
Capital raising costs	-	-	-	-
Employee share options	-	186	-	186
Comprehensive income				
Loss after income tax	-	-	(16,007)	(16,007)
Other comprehensive income	-	-	-	-
Balance at 30 June 2013	155,046	4,244	(106,555)	52,735
Balance at 1 July 2013	155,046	4,244	(106,555)	52,735
Transactions with owners in their capacity as owners				
Contributions of equity	117	-	-	117
Capital raising costs	-	-	-	-
Employee share options	-	(724)	-	(724)
Comprehensive income				
Loss after income tax	-	-	(29,616)	(29,616)
Other comprehensive income	-	67	-	67
Balance at 30 June 2014	**155,163**	**3,587**	**(136,171)**	**22,579**

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements

Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(3,205)**	(4,331)
R&D tax incentive received	6	**2,269**	-
Qld stamp duty refunded	10	**1,199**	-
Interest received		**106**	694
Net cash (used in)/provided by operating activities	15	**369**	(3,637)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		**(890)**	(7,558)
Payments for property, plant & equipment		**-**	(88)
Payments for acquisition of exploration tenements/rights		**-**	(850)
Receipts for sale of subsidiary	28	**1,500**	
Payments for security deposits		**(2)**	(168)
Net cash (used in)/provided by investing activities		**608**	(8,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided by financing activities		**-**	-
Net increase/(decrease) in cash and cash equivalents		**977**	(12,301)
Cash and cash equivalents at the beginning of the year		**4,200**	16,501
Cash and cash equivalents at the end of the year	4	**5,177**	4,200

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Mungana Goldmines Ltd is a for-profit listed public company, incorporated and domiciled in Australia.

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal activity of the Group is mineral exploration.

Currency
The financial report is presented in Australian dollars, which is the functional currency of the Group.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Authorisation of financial report
The financial report was authorised for issue on 1 September 2014.

Basis of preparation

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements have been prepared on a going concern basis; refer to Note 1(x).

Compliance with IFRS
Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Significant accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless otherwise stated.

Historical cost convention
The consolidated financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting judgements, estimates and assumptions
The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes would differ from these estimates if different assumptions were used and different conditions existed.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required, and if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies is located in the relevant notes to the financial statements.

(a) Ore reserve and mineral resource estimates
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group estimates and reports ore reserves under the principles contained within the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2004), known as the JORC Code, which is prepared by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. The JORC Code requires the use of reasonable investment assumptions – including:

- Future production estimates – which include proved and probable reserves, resource estimates and committed expansions;
- Expected future commodity prices, based on current market price, forward prices and the Group's assessment of the long-term average price; and
- Future cash costs of production, capital expenditure and rehabilitation obligations.

Consequently, management will form a view of forecast sales prices, based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future and as a result, those lower prices are used to estimate reserves under the JORC Code. Lower price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of reserves may change. Such changes may impact the Group's reported financial position and results which include:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change;
- Capitalised stripping costs recognised in the statement of financial position or charged to profit or loss may change due to changes in stripping ratios;
- Provisions for rehabilitation and environmental provisions may change - where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

(b) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a JORC resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

(c) Impairment of assets

The Group assesses each asset or cash generating unit (CGU) every reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves (see Note 1*(a) Ore reserve and mineral resource estimates* above) and operating performance (which includes production and sales volumes) and weighted average on comparable transactions. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Recovery of deferred income tax assets
Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred income tax assets are recognised in the statement of financial position. Deferred income tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Accounting policies

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Mungana Goldmines Ltd and its subsidiaries (as outlined in Note 17) as at and for the reporting period ended 30 June 2014.

Control of a subsidiary is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group have been eliminated in full.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in subsidiaries held by Mungana Goldmines Ltd are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

(b) Interest in joint arrangements

IFRS defines a joint arrangement as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

(ii) Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Group does not have any interests in joint ventures.

(c) Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or non-deductible items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax consolidation legislation

Mungana Goldmines Ltd (MUX) and its wholly-owned Australian entities have implemented the tax consolidation legislation. As a consequence, MUX and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, MUX as the head entity also recognises the current tax liabilities or assets and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group by way of an inter-company loan.

The tax consolidated group has entered into a Tax Sharing Agreement which sets out the allocation of income tax liabilities amongst the entities, should the head entity default on its tax payment obligations, and the treatment of entities exiting the tax consolidated group. No amounts have been recognised in the financial statements in respect of this Tax Sharing Agreement as payment of any amounts under this agreement are considered remote.

Tunkillia Gold Pty Ltd Left the tax consolidated group on 29 May 2014.

(d) Plant and Equipment

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

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a re-valued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset is:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10%
Computers and Office Equipment	25 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration Evaluation and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the statement of comprehensive income in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Restoration Costs

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Leases

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

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

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

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

(g) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. The EIR amortisation is included in finance costs in the income statement.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(h) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a re-valued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a re-valued asset is treated as a revaluation decrease in accordance with that other Standard.

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

(i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled compensation

The Company operates an employee share option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

No expense is recognised for awards that do not ultimately vest. When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. 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 awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised using the effective interest rate method.

(l) Other Receivables

Other Receivables are recorded at amortised cost based on estimated amounts due, less any impairment losses. An impairment loss is established when there is evidence that the Entity may not be able to collect all amounts due according to the original term of receivables.

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Entity prior to the end of the financial year, which are unpaid. These amounts are unsecured, non-interest bearing and are usually paid within 30 days of recognition.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(o) Share Capital

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(q) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by Directors. The new classifications have been made to reflect a more accurate view of the Group's operations.

The comparative figures for 2014 have been prepared for the twelve months to 30 June 2013.

(r) New Accounting Standards and Interpretations

The Group adopted the following new Accounting Standard and Interpretations during the period:

- AASB 10 'Consolidated Financial Statements'
- AASB 11 'Joint Arrangements'
- AASB 12 'Disclosure of Interests in Other Entities'
- AASB 13 'Fair Value Measurement'
- AASB 119 'Employee Benefits'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'
- AASB 2012-9 'Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039'
- AASB 1053 'Application of Tiers of Australian Accounting Standards'
- AASB 2011-4 'Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]'*

There were no material impacts on the financial position or performance of the Group arising from the adoption of these new Standards.

(s) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group has decided against early adoption of these standards. With the exception of IFRS 15, the Group has assessed that these new standards and interpretations will not have a material impact on the financial position or performance of the Group. The Group is in the process of assessing the impact, if any, of IFRS 15.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Interpretation 21 Levies

This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:

1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;
2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time;
3. In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]

AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

Annual Improvements 2010-2012 Cycle - Annual Improvements to IFRSs 2010-2012 Cycle

This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

- IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Annual Improvements 2011-2013 Cycle - Annual Improvements to IFRSs 2011-2013 Cycle

This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

- IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.
- IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.

AASB 1031 – Materiality

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.

AASB 2013-9 – Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments

The Standard contains three main parts and makes amendments to a number Standards and Interpretations.

Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.

Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.

Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into *AASB 9 Financial Instruments.*

Amendments to IAS 16 & IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 & IAS 18)

IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 supersedes:

(a) IAS 11 Construction Contracts;
(b) IAS 18 Revenue;
(c) IFRIC 13 Customer Loyalty Programmes;
(d) IFRIC 15 Agreements for the Construction of Real Estate;
(e) IFRIC 18 Transfers of Assets from Customers; and
(f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

(a) Step 1: Identify the contract(s) with a customer;
(b) Step 2: Identify the performance obligations in the contract;
(c) Step 3: Determine the transaction price;
(d) Step 4: Allocate the transaction price to the performance obligations in the contract; and
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Early application of this standard is permitted.

(t) Foreign Currency Translation

The Group's consolidated financial statements are presented in Australian Dollars (AUD), which is also the parent company's functional currency. Each entity in the Group has a functional currency of Australian Dollars. Transactions in foreign currencies are initially recorded by the Group entities at AUD spot rates at the date the transaction first qualifies for recognition.

(u) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(v) Non-Current Assets Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale with be withdrawn.

Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs;
- Classified as held for sale or already disposed in such a way; or
- A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 27. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Fair Value Measurement

The Group measures financial assets such as investment in listed companies, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(x) Going Concern

As the Company's assets are in the exploration and evaluation phase, Mungana Goldmines Ltd is currently non-revenue generating. As such, a major focus of the Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Company has sufficient funds to cover its planned activities and any ongoing obligations.

At 30 June 2014, the Company had $5.2 million in cash and cash equivalents. The Board is satisfied that the Company's current cash resources are sufficient to fund the Company's minimum expenditure commitment for a period of at least 12 months from the date of signing this report.

Should the Company decide to execute an expanded exploration program, it will require additional funds to be raised. The Board will be considering alternative funding options, including equity funding options in respect of an expanded exploration program. In addition to the close management of cash inflows, the Company has significant ability to slow or defer spending on its major activities to ensure it is able to meet its obligations when they fall due, including deferring expenditure on exploration and development activities.

On the basis of the above, the Directors are of the opinion the Company has sufficient funds to meet its debts as and when they fall due and realise its assets and settle its liabilities in the ordinary course of business.

Accordingly, the financial report has been prepared on a going concern basis and no adjustments have been made relating to the recoverability and classification of recorded amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

	2014 $'000	2013 $'000

NOTE 2 REVENUE

Bank interest received	**98**	435

This includes interest on short term deposits and operating bank accounts.

NOTE 3 INCOME TAX EXPENSE

A reconciliation of income tax expense/(benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2014 and 2013 is as follows:

	2014 $'000	2013 $'000
Accounting loss before income tax	**(29,616)**	(16,007)
Tax at the Australian tax rate of 30%	**(8,885)**	(4,802)
Permanent Differences		
Employee equity benefits	**(217)**	60
Entertainment	**1**	1
Provision for stamp duty liability (penalty component)	**(1,485)**	1,485
Exploration write-off ∗	**8,222**	-
Non-refundable R&D tax offset (2012)	**(931)**	-
Movement in unrecognised net DTA		
- Deductions arising from capital raising expenses	**(125)**	(152)
- Timing differences arising from provisions	**(11)**	(42)
- Capital expenditure	**26**	28
- Provision for stamp duty liability	**(2,174)**	2,174
- Deductible exploration expenses	**4,023**	(2,249)
- Tax losses not bought to account	**1,556**	376
Derecognised tax losses with a limited available fraction	**-**	3,121
Income tax expense	**-**	-
Unrecognised temporary differences and tax losses		
Equity raising costs charged directly to equity	**87**	152
Exploration Assets	**(6,358)**	(10,381)
Capital expenditure	**26**	62
Provision for stamp duty	**-**	2,174
Receivables	**1,142**	1,142
Provisions and Accruals	**27**	37
Tax losses carried forward	**9,577**	9,534
Net Deferred Tax Asset not recognised	**4,501**	2,720

The total amount of unrecognised tax losses is $29,918,890.

∗ In accordance with *AASB 112 Income Taxes*, an initial difference between the accounting and tax cost base of particular exploration assets at the time of listing was not recognised as a deferred tax liability. With the write-down of exploration assets this year, this initial difference has been reduced to nil.

	2014 $'000	2013 $'000

NOTE 4 CASH AND CASH EQUIVALENTS

Cash on hand and at bank	**527**	698
Term Deposits	**4,650**	3,502
	5,177	4,200

NOTE 5 TRADE AND OTHER RECEIVABLES

Trade receivables	**3,807**	3,807
Provision for Doubtful Debts	**(3,807)**	(3,807)
Other receivables	**95**	150
	95	150

Please refer to Note 19 for details of receivables ageing and receivables which are past due, but not impaired.

Trade receivables represent an amount owing from Kagara Ltd (in Liquidation) as per the Deed of Amendment to the Gold Rights Agreement, which was fully provided for in prior periods. Subsequent to year end, this receivable was forgiven (refer Note 26).

NOTE 6 EXPLORATION EXPENDITURE

Exploration expenditure capitalised		
Opening balance	**62,024**	54,513
Current year expenditure	**1,008**	6,661
Claw-back of exploration costs through R&D incentive refund	**(2,269)**	-
Acquisition of exploration tenements/rights	**-**	850
Write down of assets associated with discontinued operation	**(11,707)**	-
Write down of other exploration assets	**(28,393)**	-
Disposal on sale of subsidiary	**(1,740)**	-
	18,923	62,024

A review of the recoverable amount of each project was completed, which resulted in the recognition of a $37.8 million non-cash asset impairment. The main classes of assets affected by the impairment relate to mine properties at the Red Dome Mungana project in the North Queensland Chillagoe region and the Tarcoola and Tunkillia projects in South Australia. A further $2.3m impairment was recorded upon classification of Tunkillia Gold Pty Ltd as a discontinued operation (refer Note 28).

In assessing whether impairment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The recoverable amount used in assessing the impairment charge described above is fair value less costs to sell. In the case of the Red Dome Mungana project and the Tarcoola and Tunkillia projects, fair value was determined with reference to an independent valuation of the project.

NOTE 7 PLANT & EQUIPMENT

Plant and equipment		
At cost	**651**	703
Accumulated depreciation	**(458)**	(266)
	193	437
Movement in Plant and Equipment		
Opening balance	**437**	534
Additions	**-**	88
Disposals	**(22)**	(42)
Depreciation	**(222)**	(143)
Closing Balance	**193**	437

	Note	2014 $'000	2013 $'000

NOTE 8 INVESTMENT IN LISTED COMPANIES

Available-for-sale financial assets			
Opening balance at 1 July 2013		**-**	-
Shares in WPG Resources Ltd received as part consideration for disposal of Tunkillia Gold Pty Ltd (7,500,000 shares at $0.032 per share)		**240**	-
Re-measurement (net of income tax effect) recognised in other comprehensive income	13	**67**	-
Closing balance at 30 June 2014		**307**	-

Available-for-sale financial assets are carried at fair value. The fair value of available-for-sale financial assets is derived from quoted market prices in active markets (Level 1 input).

NOTE 9 TRADE & OTHER PAYABLES

	2014 $'000	2013 $'000
Trade payables[1]	**2,130**	2,289
Other payables and accrued expenses	**109**	109
	2,239	2,398

[1] Includes balance owing to Kagara Ltd (in Liquidation) of $2,111,256, which was forgiven subsequent to year end (refer to Note 26).

NOTE 10 OSR LIABILITY

	2014 $'000	2013 $'000
QLD OSR stamp duty	**-**	11,740
	-	11,740

On 12 February 2013 Mungana Goldmines Ltd ("MUX") received a duty assessment, including penalties and interest, from the Queensland Office of State Revenue ("QOSR") for $12.2m in respect of the Gold Rights Agreement over the Chillagoe assets in North Queensland entered into between MUX and Kagara Ltd (in Liquidation) ("KZL") and its subsidiary Mungana Pty Ltd (in Liquidation) ("MPL") dated 16 April 2010. On 9 May 2014 MUX received an amended assessment from the QOSR, reducing the stamp duty liability to $1,191.75. A refund of $1.2m of duty paid was received on 21 May 2014. The table below illustrates movements in QOSR liability during the year:

	2014 $'000
Opening Balance at 30 June 2013	**11,740**
Payments made to QOSR during the period	**(500)**
Reversal of QOSR liability	**(12,195)**
Reversal of accrued interest	**(244)**
Cash refund received from QOSR	**1,199**
Closing Balance at 30 June 2014	**-**

	2014 $'000	2013 $'000
NOTE 11 PROVISIONS		
Employee benefits	**47**	106

	2014 $'000	2013 $'000
NOTE 12 SHARE CAPITAL		
Fully paid ordinary shares	**155,163**	155,046

Ordinary Shares

	2014 $'000	2013 $'000	2014 Number	2013 Number
At the beginning of the year	**155,046**	155,046	**160,676,936**	160,676,936
Share issue[1]	**117**	-	**3,947,002**	-
Share issue (expenses)/refund	**-**	-	**-**	-
At reporting date	**155,163**	155,046	**164,623,938**	160,676,936

[1] On 24 February 2014, 3,528,787 fully paid shares at $0.0283 per share were allotted to Low Impact Diamond Drilling Services Pty Ltd, as a staged payment of the Tunkillia resource purchase dated 17 January 2012. On 8 April 2014, 418,215 fully paid shares at $0.004 per share were allotted to AKB Mining Geology Service as part payment for consulting services.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	2014 $'000	2013 $'000
NOTE 13 RESERVES		
Share based payment reserve	**3,520**	4,244
Available for sale reserve (refer to Note 8)	**67**	-
	3,587	4,244
Share based payment reserve movements during the year		
Opening balance	**4,244**	4,058
Share based payments	**(724)**	186
Closing balance	**3,520**	4,244

The share based payments reserve is used to record the value of share based payments provided to Directors, employees and consultants as part of their remuneration.

Available for sale reserve movements during the year		
Opening balance	**-**	-
Fair value adjustment on shares in listed companies	**67**	-
Closing balance	**67**	-

The available for sale reserve is used to record the revaluation to market value of the investments in listed companies held by the Group.

NOTE 14 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the year. There are no franking credits available to the shareholders of the Company.

	2014 $'000	2013 $'000

NOTE 15 CASH FLOW INFORMATION

Reconciliation of cash flows used in operations with loss after income tax

	2014 $'000	2013 $'000
Loss after income tax	**(29,616)**	(16,007)
Non-cash items in loss after income tax		
Depreciation expense	**217**	135
Depreciation capitalised to exploration	**5**	8
Share based payments expense	**(724)**	186
Exploration asset write off	**40,090**	-
Loss on disposal of property, plant and equipment	**11**	20
Movements in assets and liabilities		
Trade and other receivables	**2,330**	1,949
Trade payables and accruals	**(165)**	(1,577)
Provision for OSR liability	**(11,740)**	11,740
Other provisions	**(39)**	(91)
Cash flow from operations	**369**	(3,637)

Reconciliation of cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the Statement of Financial Position as follows:

	2014 $'000	2013 $'000
Cash on hand and at bank	**527**	698
Term Deposits	**4,650**	3,502
Cash and cash equivalents	**5,177**	4,200

NOTE 16 SHARE BASED PAYMENTS

Movements in options on issue

	2014		2013	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
		$		$
Outstanding at beginning of year	**10,650,000**	**1.97**	15,400,000	2.01
Granted	**-**	**-**	1,275,000	0.53
Forfeited	**(9,200,000)**	**1.96**	(6,025,000)	1.50
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding at year-end	**1,450,000**	**2.01**	10,650,000	1.97
Exercisable at year-end	**1,050,000**	**1.83**	5,950,000	1.74

The weighted average fair value of the options granted during the 2013 year was $0.12. No options were issued in 2014.

The options outstanding at year end have a weighted average remaining life of 1.28 years (2013: 1.98 years).

NOTE 16 SHARE BASED PAYMENTS (continued)

	Grant date	No. of Options	Option fair value at grant date $	Exercise price per option $	Total value of options $	Expiry date	Vesting and First exercise date	% of options vested
Directors								
J Fitzgerald	17/11/2010	250,000	0.4281	2.00	107,025	17/11/2015	17/11/2012	100
Key Management Personnel								
B Ludik	1/10/2010	400,000	0.4947	1.55	197,880	1/10/2015	1/10/2012	100
	1/10/2010	400,000	0.4402	2.00	176,080	1/10/2015	1/10/2013	100
	1/10/2010	400,000	0.3927	2.50	157,080	1/10/2015	1/10/2014	-
Totals		**1,450,000**			**638,065**			

Throughout the year an additional 1,200,000 (2013: 3,950,000) options vested to various staff and board members. All other remuneration options will vest in future years, subject to the recipient's services still being engaged by the Company at the vesting dates.

No options were issued during the year and 9,200,000 options were forfeited as Directors and staff ceased employment with the Company.

NOTE 17 RELATED PARTY AND KEY MANAGEMENT PERSONNEL

The consolidated financial statements include the financial statements of Mungana Goldmines Ltd and the subsidiaries listed in the following table:

	Country of Incorporation	% Equity Interest 2014	2013
Nyngan Gold Pty Ltd	Australia	**100%**	100%
Tunkillia Gold Pty Ltd	Australia	**0%**	100%
Vision Exploration Pty Ltd	Australia	**100%**	100%
Twilight Exploration Pty Ltd	Australia	**100%**	100%
Thesaurus Exploration Pty Ltd	Australia	**100%**	100%

Tunkillia Gold Pty Ltd was sold to WPG Resources Ltd on 29 May 2014 and ceased to be a related party on this date. See Note 28 for further details.

Intercompany loans between Group members are listed below:

Party	Counter-party	Receivable 2014 $'000	Payable 2014 $'000	Receivable 2013 $'000	Payable 2013 $'000
Mungana Goldmines Ltd	Nyngan Gold Pty Ltd	**102**		100	
Mungana Goldmines Ltd	Tunkillia Gold Pty Ltd	**-**		9,072	
Nyngan Gold Pty Ltd	Mungana Goldmines Ltd		**102**		100
Tunkillia Gold Pty Ltd	Mungana Goldmines Ltd		**-**		9,072

Parent and ultimate controlling party

The parent entity and ultimate controlling entity is Kagara Ltd (in Liquidation) which is incorporated in Australia.

Key management personnel compensation

Key management personnel comprise Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	2014 $	2013 $
Summary		
Short-term employee benefits	**1,248,913**	1,863,401
Post-employment benefits	**76,636**	140,353
Share-based payments	**175,411**	963,845
	1,500,960	2,967,599

NOTE 17 RELATED PARTY AND KEY MANAGEMENT PERSONNEL (continued)

Director/Key Management Personnel share holdings (number of shares)

2014	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Total	**299,286**	**-**	**-**	**(21,873)**	**277,413**

2013	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Total	621,242	-	-	(321,956)	299,286

Amounts owed to Key Management Personnel

No amounts are owed to Key Management Personnel as at the end of the period (2013: Nil).

Transactions with Director related parties

Other than as disclosed elsewhere in this report, there were no transactions with Director related entities during the 2014 financial year.

NOTE 18 INTERESTS IN JOINT ARRANGEMENTS

Interests in joint operations

Tunkillia Gold Pty Ltd, which held certain exploration assets jointly with Helix Resources Ltd, was sold to WPG Resources Ltd on 29 May 2014 and ceased to be a subsidiary on that date.

Summarised financial statement information for the Group's share of joint operations is disclosed below:

	2014 $'000	2013 $'000
NON-CURRENT ASSETS		
Capitalised exploration expenditure	**-**	11,853

NOTE 19 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is interest rate risk.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There is no collateral held as security at 30 June 2014.

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions.

The Group does not have any material credit risk exposure to any single debtor or company of debtors under financial instruments entered into by the Group, other than already provided for.

Maximum exposure to credit risk

	Note	2014 $'000	2013 $'000
Cash and cash equivalents	4	**5,177**	4,200
Trade and other receivables	5	**95**	150
		5,272	4,350

Ageing and impairment of receivables

	2014 $'000	2013 $'000
Not past due	**95**	150
Past due 30-90 days	**-**	-
Past due >90 days	**3,807**	3,807
Impairment	**(3,807)**	(3,807)
	95	150

Trade receivables represent an amount owing from Kagara Ltd (in Liquidation) as per the Deed of Amendment to the Gold Rights Agreement, which was fully provided for in prior periods. Subsequent to year end, this receivable was forgiven (refer Note 26).

Credit risk - Cash and cash equivalents

The credit quality of financial assets that are neither past due nor impaired is considered strong. The counterparties to these financial assets are large financial institutions with strong credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Group did not have any financing facilities available at balance date.

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

The tables below reflect the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities for financial liabilities are:

2014	Notes	Less than 3 months $'000	3 to 12 months $'000	Total $'000
Trade and other payables (1)	9	**2,239**	**-**	**2,239**
OSR Liability	10	**-**	**-**	**-**
		2,239	**-**	**2,239**

2013	Notes	Less than 3 months $'000	3 to 12 months $'000	Total $'000
Trade and other payables (1)	9	287	2,111	2,398
OSR Liability	10	150	11,590	11,740
		437	13,701	14,138

(1) Includes balance owing to Kagara Ltd (in Liquidation) of $2,111,256, which was forgiven subsequent to year end (refer to Note 26).

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Group's interest rate exposure under financial instruments is minimal as it does not currently have any interest bearing financial liabilities.

Interest rates over the 12 month period were analysed and sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
Judgments of reasonably possible movements:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
+1.00% (100 basis points)	**5**	7	**5**	7
-1.00% (100 basis points)	**(5)**	(7)	**(5)**	(7)

(d) Capital Risk Management

When managing capital, the Directors' objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Company may seek to issue new shares.

Consistent with other exploration companies, the Company monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. The Company has no minimum capital requirement.

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

(e) Net Fair Values

With the exception of available-for-sale financial assets, the carrying amounts of the Group's financial instruments are a reasonable approximation of the fair values due to their short term maturities. The fair value of available-for-sale financial assets is disclosed in Note 8.

NOTE 20 COMMITMENTS

	2014 $'000	2013 $'000
Operating leases		
Minimum lease payments:		
Payable within one year	**190**	198
Payable between one year and five years	**269**	659
Total contracted at balance date	**459**	857

The minimum future payments above relate to non-cancellable operating leases for offices and office equipment.

Future exploration

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

	2014 $'000	2013 $'000
Exploration obligations to be undertaken:		
Payable within one year	**800**	876
Payable between one year and five years	**-**	-
	800	876

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Group has the option to negotiate new terms or relinquish the tenements or to meet expenditure requirements by joint venture or farm in agreements.

NOTE 21 CONTINGENT CONSIDERATION

On 29 May 2014, MUX sold its subsidiary Tunkillia Gold Pty Ltd to WPG Resources Ltd. WPG is required to pay additional consideration of up to $1,000,000 in a number of stages, contingent upon achievement of certain milestones relating to the continued exploration, evaluation and potential development of the Tunkillia and Tarcoola projects by WPG as detailed below:

Amount	Trigger Event
$250,000 (in cash or WPG shares, at WPG's election)	The date on which there is established pursuant to the JORC Code a probable ore reserve of 100,000oz or more of gold within the Exclusive Area (Tarcoola) in addition to the JORC compliant resource identified within the Exclusive Area at the Commencement Date.
$250,000 (in cash)	The earlier of the commencement of mine construction and mining operations in any part of the Exclusive Area (Tarcoola).
$500,000 (in cash or WPG shares, at WPG's election)	The earlier of the commencement of mine construction and mining operations on MC 4347 (Tunkillia) or the area of any tenement succeeding or replacing MC 4347 which overlaps MC 4347.

NOTE 21 CONTINGENT CONSIDERATION (continued)

Additionally, in the event production commences, MUX is entitled to receive from WPG a net smelter return royalty for attributable gold and silver produced from the Mineral Claim (MC 4347) area within the Tunkillia Gold Project, based on the following sliding scale:

- Gold Price per ounce < US$1,750 1.00% NSR
- Gold Price per ounce US$1,750 to US$2,000 1.25% NSR
- Gold Price per ounce US$2,000 or higher 1.50% NSR

The Group has not recognised this contingent consideration in the financial statements.

NOTE 22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2014 that require disclosure in the financial report.

NOTE 23 SEGMENT REPORTING

Reportable Segments

The Group operates in one segment, being the exploration, development and production of minerals. All of the Group's areas of operation are currently located in Australia.

Operating segments are identified on the basis of internal reports that are regularly reviewed and used by the Board of Directors (chief operating decision maker) in order to allocate resources to the segment and assess its performance. The financial information presented in the statements of comprehensive income and financial position is the same as that presented to the chief operating decision maker.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief operating decision maker are in accordance with the entity's accounting policies.

NOTE 24 AUDITOR'S REMUNERATION

	2014 $	2013 $
Auditing and reviewing the financial reports	**39,421**	45,149
Other services	**-**	23,360
	39,421	68,509

NOTE 25 EARNINGS PER SHARE

	2014 $'000	2013 $'000
The following reflects the income and share data used in the EPS computations		
Losses from continuing operations used to calculate basic and dilutive EPS	**(17,909)**	(16,007)
Losses from discontinued operations used to calculate basic and dilutive EPS	**(11,707)**	-
	2014 Number	**2013 Number**
Weighted average number of ordinary shares outstanding during the year	**161,990,194**	160,676,936
Weighted average number of dilutive options outstanding	**-**	-
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	**161,990,194**	160,676,936

Options on issue are considered anti-dilutive and are therefore not considered in the calculation of diluted EPS.

NOTE 26 EVENTS AFTER BALANCE DATE

Acquisition of the Chillagoe assets in North Queensland

MUX, KZL and its wholly owned subsidiary MPL have entered into an agreement under which the Chillagoe assets in North Queensland owned by KZL and MPL were sold to MUX. The transaction completed on 31 July 2014.

The key terms of the transaction were:

- MUX will acquire the Chillagoe Assets from KZL and MPL. The Chillagoe Assets includes:
    - KZL's GRA Assets over base metals and other resources within the Gold Rights Agreement dated 16 April 2010 between KZL, MPL and MUX (GRA) Tenements.
    - Legal tenure over all GRA Tenements.
    - Other related GRA assets consisting of an incomplete processing and crushing plant, buildings, camp site and vehicles.
- Consideration paid was $15 million
- The consideration was paid via the issue of two Secured Convertible Note instruments (SCN) for $7.5 million each
    - The first instrument is converting at 10 cents per share upon payment to the Queensland Office of State Revenue of the stamp duty on the transaction
    - The second instrument is convertible at the holders' election at 20 cents at any time up to 5 years from the date of issue of the instrument.
- Interest on the SCNs is at 7.5% payable in cash or shares at the option of MUX
- The SCNs are redeemable at the option of MUX at any time prior to conversion
- The obligations under the SCNs will be secured over all of the Chillagoe projects, including the gold rights. This security will be in place until payment of the Stamp Duty on this transaction. It is expected to be paid in the December quarter 2014.

The parties agreed to:

- Release each other from obligations under the GRA;
- Settle outstanding claims between KZL, MPL and MUX. Claims included a net intercompany balance of approximately $1.7 million owing by KZL to MUX, and a proof of debt claim that was lodged by MUX against KZL and MPL for mining, dewatering damages and other items.

The transaction led to MUX gaining further exploration tenements and mining leases. Commitments for these tenements and leases are rent payments of $120k and minimum expenditure of $2.0m for the next year. The minimum expenditure commitments for exploration permits (EPMs) can be deferred in the short term by lodging expenditure variation requests with the mines department, however there is a longer term strategy being developed by management that will allow for the consolidation of all the existing EPMs (currently a total of nine) into a smaller number, ideally two or three. This gives significantly more flexibility and allows for deferral of expenditure up to three years without the need to meet prescribed commitments annually. Consolidating the existing EPMs into two or three new ones also allows for any monies expended to be focused on the key project areas and allows flexibility in terms of relinquishment requirements, where all ground can be held for the first three years after grant. There are also benefits in reducing ongoing tenement management costs and incremental decreases in environmental fees. The proposed tenement consolidation application is currently being prepared and will be lodged as soon as the tenements are formally assigned to Mungana Goldmines Ltd by the Mines Department.

Nyngan Project – AngloGold Ashanti Joint Venture

The remaining two tenements have been relinquished after year end after all viable targets have been tested and eliminated. AngloGold Ashanti subsequently withdrew from the JV with Nyngan (a wholly owned subsidiary of Mungana Goldmines Ltd).

NOTE 26 EVENTS AFTER BALANCE DATE (continued)

New staff in North Queensland

In August and September 2014 the Company recruited certain key ex-Kagara employees in order to pursue the North Queensland Zinc Strategy that was announced to the market on 24 June 2014. The positions filled included the position of a project manager, geologist and environmental officer. These employees will also allow the Company to maintain the Mining Leases and Exploration Permits in the Chillagoe and Charters Towers area.

Onerous operating lease

In July 2014, a Board decision was taken to close the Brisbane office. In the light of this decision, the non-cancellable payments for the remainder of the lease term (to 1 December 2016) meet the definition of an onerous operating lease. A provision of $457k was taken up in July 2014.

NOTE 27 INFORMATION RELATING TO MUNGANA GOLDMINES LIMITED ("the parent entity")

	2014 $'000	2013 $'000
CURRENT ASSETS		
Cash and cash equivalents	**5,177**	4,179
Trade and other receivables	**95**	146
TOTAL CURRENT ASSETS	**5,272**	4,325
NON-CURRENT ASSETS		
Capitalised exploration expenditure	**18,923**	46,866
Plant and equipment	**193**	415
Investment in subsidiaries	**-**	5,983
Investment in listed companies	**307**	-
Intercompany receivables	**102**	9,172
Other non-current assets	**171**	168
TOTAL NON-CURRENT ASSETS	**19,696**	62,604
TOTAL ASSETS	**24,968**	66,929
CURRENT LIABILITIES		
Trade and other payables	**2,239**	2,333
OSR liability	**-**	11,740
Provisions	**47**	106
TOTAL CURRENT LIABILITIES	**2,286**	14,179
TOTAL LIABILITIES	**2,286**	14,179
NET ASSETS	**22,682**	52,750
EQUITY		
Share capital	**155,163**	155,046
Reserves	**3,587**	4,243
Accumulated losses	**(136,068)**	(106,539)
TOTAL EQUITY	**22,682**	52,750
Profit or loss of the parent entity	**(29,530)**	(15,994)
Total comprehensive income of the parent entity	**(29,463)**	(15,994)

NOTE 27 INFORMATION RELATING TO MUNGANA GOLDMINES LIMITED ("the parent entity") (continued)

Operating leases

All operating leases for the Group, mentioned in Note 20, are operated by Mungana Goldmines Ltd ("the parent entity").

Future exploration

Mungana Goldmines Ltd's portion of the future exploration commitments payable within one year, as mentioned in Note 20 is $800,311 (2013: $410,271).

Contingent liabilities and contingent assets

Mungana Goldmines Ltd had contingent liabilities and contingent assets as disclosed in Note 22 at 30 June 2014.

NOTE 28 DISCONTINUED OPERATION

On 2 April 2014, the Group publicly announced that it had entered into a binding term sheet with WPG Resources Ltd (WPG), which granted WPG an option to purchase all of the issued capital of MUX's 100% owned subsidiary Tunkillia Gold Pty Ltd. This subsidiary held the Group's interests in the Tunkillia and Tarcoola Gold Projects in South Australia. Upon this announcement, Tunkillia Gold Pty Ltd was classified as a disposal group held for sale and as a discontinued operation.

On 29 May 2014, the sale transaction completed with WPG acquiring 100% of the issued capital of Tunkillia Gold Pty Ltd for total consideration of $1,740,000 comprising $1,500,000 cash and 7,500,000 shares in WPG (subject to voluntary escrow for 12 months from the date of completion) at $0.032 per share.

WPG is required to pay additional consideration of up to $1,000,000 in a number of stages, contingent upon achievement of certain milestones relating to the continued exploration, evaluation and potential development of the Tunkillia and Tarcoola projects by WPG.

Additionally, in the event production commences, MUX is entitled to receive from WPG a net smelter return royalty for attributable gold and silver produced from the Mineral Claim (MC 4347) area within the Tunkillia gold project.

The Group has not recognised any contingent consideration receivable from WPG Resources Ltd (refer to Note 21).

Write-down of capitalised exploration expenditure

Upon classification of Tunkillia Gold Pty Ltd as a discontinued operation, a write-down of $2,320,000 was recognised to reduce the carrying amount of the assets in the disposal group to their fair value less costs of disposal, which was estimated with reference to the transaction consideration outlined in the binding term sheet. This write-down was recognised in the statement of comprehensive income within the Loss after tax for the year from discontinued operations line item.

This write-down was in addition to a $9,387,000 impairment of the Tunkillia and Tarcoola projects recognised during the half-year ended 31 December 2013. The recoverable amount of the Tunkillia and Tarcoola projects used in assessing this impairment charge was fair value less costs of disposal, determined with reference to an independent valuation of the projects.

Results and cash flows of discontinued operation

With the exception of the impairment charges described above totalling $11,707,000, Tunkillia Gold Pty Ltd did not recognise any significant revenue, expenses or cash flows during the period (2013: Nil).

Assets and liabilities

The carrying amounts of Tunkillia Gold Pty Ltd's assets and liabilities at the date of disposal were as follows:

	$'000
Cash and cash equivalents	-
Capitalised exploration expenditure	**1,740**
Plant and equipment	**16**
Trade and other payables	-
Net assets of subsidiary disposed	**1,756**

NOTE 28 DISCONTINUED OPERATION (continued)

Cash flows upon disposal

A reconciliation of the disposal consideration to the statement of cash flows is shown below:

	$'000
Total disposal consideration	1,740
WPG shares received	(240)
Cash consideration received	**1,500**
Cash and cash equivalents disposed of	-
Cash inflow on disposal	**1,500**

Earnings per share from discontinued operation

	2014 Cents	2013 Cents
Basic loss per share	(7.23)	-
Diluted loss per share	(7.23)	-

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the attached financial statements and notes as set out on pages 23 to 54 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
(ii) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration by the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

____
J TREACY
CHAIRMAN
Brisbane, Queensland
1 September 2014

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Independent auditor's report to the members of Mungana Goldmines Ltd

Report on the financial report

We have audited the accompanying financial report of Mungana Goldmines Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report. We confirm that the Auditor’s Independence Declaration

Opinion

In our opinion:

a. the financial report of Mungana Goldmines Ltd 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 2014 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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Mungana Goldmines Ltd for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Tom du Preez
Partner
Brisbane
1 September 2014

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 26 August 2014.

(a) Distribution of equity securities

MUX – Ordinary Fully Paid Shares

Number of Securities Held	No's of holders
1 to 1,000	172
1,001 to 5,000	339
5,001 to 10,000	127
10,001 to 100,000	185
100,001 and over	35
	858

Number of shareholders holding less than a marketable parcel of shares	**423**

(b) Twenty largest holders

MUX – Ordinary Fully Paid Shares

No.	Name of Shareholder	Holding	% Held
1	MUNGANA PTY LTD	97,546,943	59.25%
2	GHG MUNGANA CO LTD	25,120,000	15.26%
3	UOB KAY HIAN PRIVATE LIMITED	13,564,786	8.24%
4	NATIONAL NOMINEES LIMITED	4,012,000	2.44%
5	MINOTAUR RESOURCES INVESTMENTS PTY LTD	3,076,923	1.87%
6	LOW IMPACT DIAMOND DRILLING SPECIALISTS PTY LTD	2,458,543	1.49%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,603,210	0.97%
8	PARKRANGE NOMINEES PTY LTD	1,378,950	0.84%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,059,950	0.64%
10	HOUGHTON WATERVILLE PTY LTD	867,705	0.53%
11	GECKO RESOURCES PTY LTD	670,000	0.41%
12	MR KIM ROBINSON	643,719	0.39%
13	MR TODD ROBERT PETERS	622,227	0.38%
14	JAYLEAF HOLDINGS PTY LTD	578,950	0.35%
15	MR ANTHONY PAUL WATERS & MRS LYNETTE SUZAN WATERS	300,000	0.18%
15	YELRIF INVESTMENTS PTY LIMITED	300,000	0.18%
17	AKB MINING GEOLOGY SERVICES	268,215	0.16%
18	COLENEW PTY LIMITED	250,000	0.15%
19	EW & LK BARENDRECHT PTY LIMITED	213,000	0.13%
20	MRS BRYONY MAEVE MCCONNELL	207,143	0.13%
	Total	**154,742,264**	**94.00%**
	Balance of Register	**9,881,674**	**6.00%**
	Total Issued Shares	**164,623,938**	**100.00%**

(c) Substantial Shareholder Notices Received as at 26 August 2014

Name of Holder	Date of becoming Substantial Holder	Shares Notified	Percentage Shareholding Notified
Prosperity Steel United Singapore Pte Ltd	08/06/2010	13,000,000	8.24%
Kagara Ltd (in Liquidation)	10/06/2010	97,546,942	59.25%
Guangdong Guangxin Holdings Group Ltd	26/04/2012	25,120,000	15.26%

(d) Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

(e) Interests in Exploration Tenements

Mungana Goldmines Ltd held the following interests in mining and exploration tenements as at 30 June 2014:

Type	Project	Grant / Application Date	Expiry Date	Status
Queensland				
Exploration Permit	EPM 12902	28 March 2006	27 March 2015	Granted
Exploration Permit	EPM 14104	26 August 2004	25 August 2012	Renewal
Exploration Permit	EPM 14108	26 August 2004	25 August 2014	Granted
Exploration Permit	EPM 15458	04 July 2007	03 July 2014	Granted
Exploration Permit	EPM 15459	02 May 2007	01 May 2015	Granted
Exploration Permit	EPM 18530	20 September 2011	19 September 2016	Granted
Exploration Permit	EPM 7672	22 January 1991	21 January 2013	Renewal
Exploration Permit	EPM19064-Fluorspar	28 June 2012	27 June 2017	Granted
Exploration Permit	EPM19196-Dargalong	13 December 2012	12 December 2017	Granted
Exploration Permit	EPM25132-Liontown 1	25 November 2013	24 November 2018	Granted
Exploration Permit	EPM25133-Liontown 2	28 November 2013	27 November 2018	Granted
Exploration Permit	EPM25134-Liontown 3	20 November 2013	19 November 2018	Granted
Exploration Permit	EPM25135-Liontown 4	20 November 2013	19 November 2018	Granted
Exploration Permit	EPM25148-Liontown 5	25 November 2013	24 November 2018	Granted
Exploration Permit	EPM25270-Liontown 6	8 April 2014	7 April 2019	Granted
Exploration Permit	EPM25271-Liontown 7	8 April 2014	7 April 2019	Granted
Exploration Permit	EPM25437-Liontown 8	11 November 2013		Application
Exploration Permit	EPM25680 Liontown 9	13 June 2014		Application
Mining Lease	ML 20640	22 September 2011	30 September 2029	Granted
Mining Lease	MLA 20658	14 January 2010		Application
Mining Lease	ML 4798	17 January 1974	31 January 2019	Granted
Mining Lease	ML 4910	25 October 1973	31 October 2023	Granted
Mining Lease	ML 4911	31 January 1974	31 January 2019	Granted
Mining Lease	ML 4921	21 March 1974	31 March 2024	Granted
Mining Lease	ML 4928	30 January 1975	31 March 2011	Renewal
Mining Lease	ML 4977	09 November 1978	30 November 2019	Granted
Mining Lease	ML 5176	31 October 1985	31 October 2027	Granted
Mining Lease	ML 5319	12 June 2013		Renewal
New South Wales				
Exploration Permit	EL7751-Fairview	27 May 2011	27 May 2013	Renewal
Exploration Permit	EL8053-Lachlan Fold Belt	11 January 2013	11 January 2015	Granted