Merah Resources Limited

(ACN 146 035 127)

Annual Report

For the Financial Year Ended 30 June 2014

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CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN
David Deloub

NON-EXECUTIVE DIRECTORS
Ian Prentice
Jason Eveleigh

COMPANY SECRETARY
Suzie Foreman

REGISTERED OFFICE
Level 2
79 Hay Street
SUBIACO WA 6008
Telephone: + 61(8) 9200 4436
Facsimile: + 61(8) 9200 4437

AUDITORS
HLB Mann Judd
(WA Partnership)
Level 4
130 Stirling Street
PERTH WA 6000

SHARE REGISTRY
Security Transfer Registrars Pty Ltd
Alexandria House
Suite 1
770 Canning Highway
APPLECROSS WA 6153
Telephone: + 61 (8) 9315 2333
Facsimile: + 61 (8) 9315 2233

BANKERS
Commonwealth Bank of Australia
150 St Georges Terrace
PERTH WA 6000

SECURITIES EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: MEH

DIRECTORS' REPORT

The Directors of Merah Resources Limited ("Merah" or the "Company") submit herewith the financial report of the Company and its subsidiary (the "Group") for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors' report is included as follows:

DIRECTORS

The names and details of the Company's directors in office from the start of the financial year until the date of this report are as follows:

Names, Qualifications, Experience and Special Responsibilities

David Deloub B.Ec (Hons), BA, Grad. Dip. Bus, Grad. Dip. FINSIA – Executive Chairman *(appointed Executive Chairman 30 April 2014)*

Mr Deloub has over 22 years of experience in the finance and corporate sectors and holds a degree in economics and post graduate qualifications in banking and finance.

Prior to joining Merah, Mr Deloub was the Chief Financial Officer at the ASX listed Company, Neptune Marine Services Limited. He was also a director of Patersons Capital Partners, a boutique advisory firm focused on providing strategic and financial advice to ASX listed small cap companies. Mr Deloub also has considerable finance and business development experience both in Australia and abroad where he has held senior finance positions at Alinta Limited domestically and at Alcoa Inc, based in New York.

Ian Prentice Grad. B.Sc (Geol), Grad. Dip. SIA, M.AusIMM - Non-Executive Director

Mr Prentice is a geologist with over 25 years of mining industry experience including management of ASX listed exploration and mining companies. He has experience in all facets of exploration and mining across a range of commodities in Australia, Asia and Africa with a number of mid to large cap mining companies. He managed a gold exploration and development company from initial exploration through to the definition of a +1.0 million ounce gold resource culminating in the completion of a bankable feasibility study and commencement of commercial gold production. He has also gained an insight into a broad range of commercial aspects of publicly listed exploration and mining companies, from capital raisings through to investor communication.

Jason Eveleigh - **B. Com, CA -** Non-Executive Director *(Appointed 30 April 2014)*

Mr Eveleigh is a chartered accountant with international experience in finance and investment of over 19 years. Mr Eveleigh' has worked for Ernst & Young in both London and Melbourne and has lead the finance divisions of a number of private businesses in Australia. Mr Eveleigh is also a director of Chess Capital Partners Ltd, the Company's corporate adviser.

Richard Homsany LL.B (Hons), B. Com, Grad. Dip. Fin & Inv, F Fin, CPA - Non-Executive Chairman (*Resigned 30 April 2014)*

Mr Homsany has significant experience in the resources industry, including working for North Ltd, which was acquired by Rio Tinto Ltd in 2001, and board experience with publicly listed resource companies in Australia and Canada. In his recent role as a Corporate Partner at an international law firm, Mr Homsany focused on the energy and resources sector including advising clients on capital raisings, mergers and acquisitions, finance, joint ventures, divestments and corporate matters. Mr Homsany is the Executive Vice President of the Toronto Stock Exchange listed company, Mega Uranium Ltd, and is a Certified Practising Accountant. He is the chairman of the ASX listed copper and nickel explorer Redstone Resources Limited and the Toronto Stock Exchange (Venture Exchange) listed gold and iron ore explorer Central Iron Ore Limited. Mr Homsany is a director of the Health Insurance Fund of Australia Limited and is chairman of its Audit and Risk Committee. He is the principal of Cardinals Lawyers and Consultants and has been admitted as a solicitor for over 19 years.

DIRECTORS' REPORT *(Continued)*

Suzie Foreman B.Bus (Hons), CA - Company Secretary *(Resigned as Non-Executive director 30 April 2014)*

Ms Foreman is a chartered accountant with over 18 years of experience within the UK and Australia. Ms Foreman has 9 years' combined experience with KPMG and a boutique accounting firm specialising in the provision of audit and corporate services and also has extensive skills in the areas of financial and management reporting, due diligence, ASX and ASIC corporate and regulatory compliance. Ms Foreman has been involved in the listing of numerous exploration companies on the ASX, AIM and OTC markets and assisted in corporate matters including capital raisings, acquisitions, divestments, finance, joint ventures and corporate governance. Ms Foreman is also company secretary to two other ASX listed companies.

Directorships of Other Listed Companies

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

Name	Company	Period of directorship
David Deloub	-	-
Ian Prentice	Killara Resources Limited	14 July 2010 to 28 September 2012
Jason Eveleigh	-	-

Company Secretary

Ms Suzie Foreman held the position of company secretary during and at the end of the financial year. Details of Ms Foreman's credentials are set out in Directors' profile above.

CORPORATE INFORMATION

Nature of Operations and Principal Activities

Merah Resources Limited is a resources and energy company whose primary purpose is to define further mineralisation on its existing projects and review and acquire potential new resources and energy based projects in both, Australia and overseas.

Review of Operations

Over the full year ended 30 June 2014, the company's activities were primarily focused on progressing the Boizan gold project in Ghana, reducing corporate costs and identifying and reviewing additional resource projects both in Australia and overseas.

Exploration activities were wound back through the second half of the year due to restrictive capital conditions resulting in an increased focus on review and reduction of corporate overheads and capital conservation.

During this challenging period management and the Board worked on finalising a transaction with Oresearch Limited, the outcome of which was announced 18th July 2014.

This transaction will deliver to Merah the rights to an advanced copper project in Canada and a copper exploration project in South Australia.

Western Australia

Final assessment of project potential was concluded in late 2013 in respect of the Mt Adamson prospect in the eastern goldfields of Western Australia, with the Company deciding not to proceed with additional exploration on this project.

DIRECTORS' REPORT *(Continued)*

Republic of Ghana

During the period, the conditions precedent under the Heads of Agreement to secure the option to acquire 100% interest in the Antubia/Boizan Gold tenements from Castle Minerals were satisfied.

A Heliborne EM/Magnetics survey was completed over the Boizan anomaly in June 2013 with a follow up ground magnetics survey completed in November 2013.

These surveys have re-defined the geological understanding of the Boizan area, identifying a deep seated north-north east trending structure interpreted to be a mineralized fluid pathway that cross cuts north north-west trending stratigraphy (refer figure 1.)

The Antubia/Boizan project remains Merah's focus in Ghana, with the Company continuing to review its strategy in relation to the funding and execution of its proposed exploration activity on this project, including a number of early stage discussions with potential project partners.

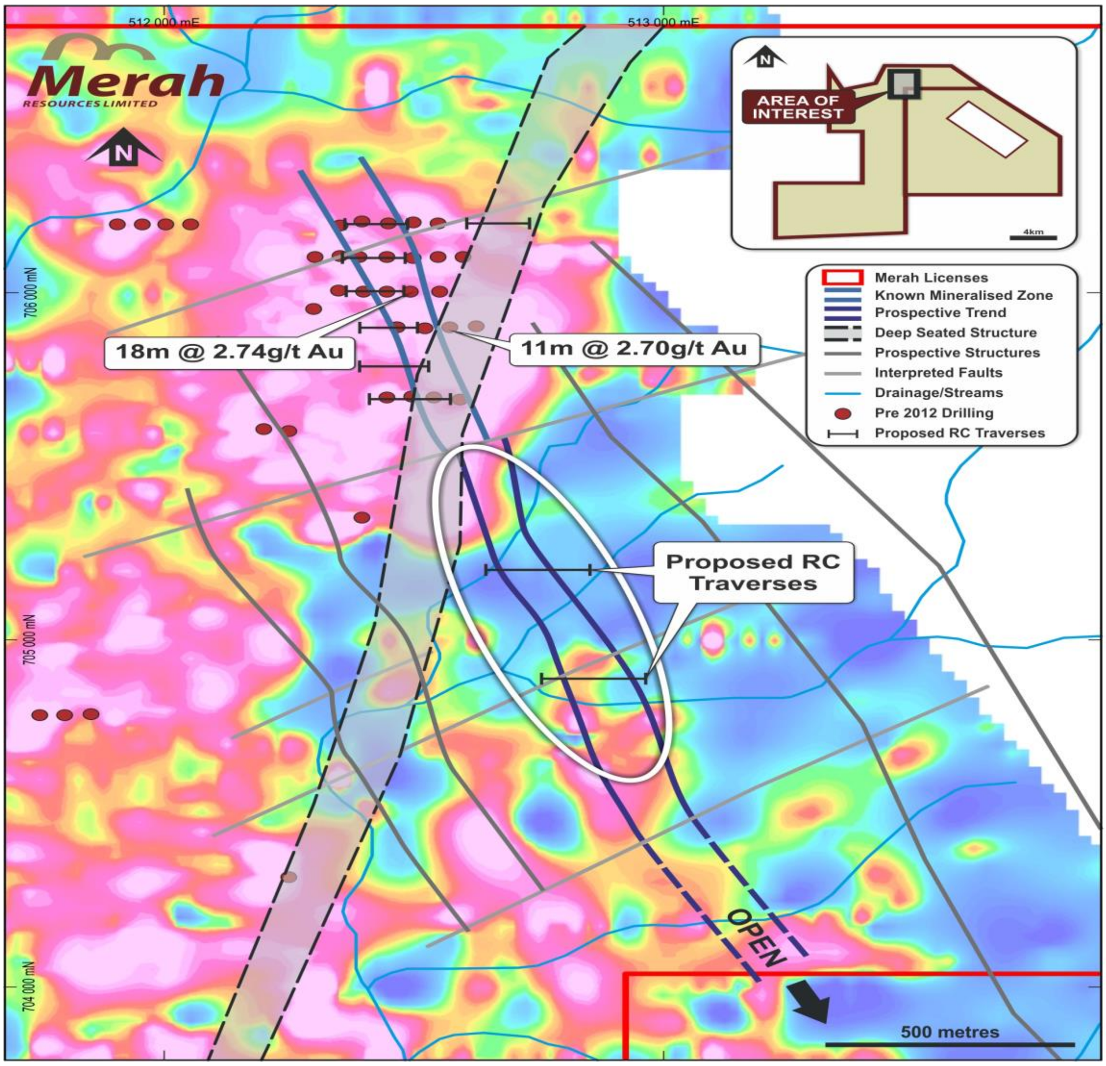

Figure 1. Boizan Prospect – geophysical interpretation over gold geochemistry

DIRECTORS' REPORT *(Continued)*

The Heads of Agreement between Merah and Carlie Mining Limited (a wholly owned subsidiary of Castle Minerals) over the Kong project in north-west Ghana expired during the period with Merah retaining no rights to acquire Carlie's legal and beneficial right to the project.

A field trip was undertaken in October 2013 to conduct initial due diligence on a number of projects located on the Ashanti belt to the east of the current project areas. Field work and subsequent analysis of the data collected does not currently support any follow-up action.

Merah successfully completed the registration of a wholly owned Ghanaian subsidiary, Merah West Africa Limited. It is envisaged that this entity will ultimately hold all of Merah's existing and future Ghanaian assets.

Oresearch Limited Transaction

In the last quarter of the 2014 financial year, Merah worked to complete negotiations with Oresearch Limited (an unlisted Australian domiciled company) by entering into a Terms Sheet with Oresearch to acquire the legal and beneficial ownership of 100% of its issued share capital. This Terms Sheet was executed post year end and completion remains subject to shareholder approval, with an Extraordinary General Meeting (EGM) to be held on 29 September 2014 to approve the acquisition.

Via a transaction facilitated by Oresearch, Merah also entered into a farm-in joint venture agreement with Pacific Ridge Exploration Ltd (a company incorporated in Canada), pursuant to which the Company has acquired the right to earn up to an 80% interest in the Fyre Lake Property, a copper project located in the Yukon in Canada.

For further details of the Oresearch and Fyre Lake transactions, project descriptions, consideration, capital structure and board structure post transaction, refer to ASX Announcement date 18 July 2014, titled "Merah Resources to acquire Copper Project in the Yukon, Canada."

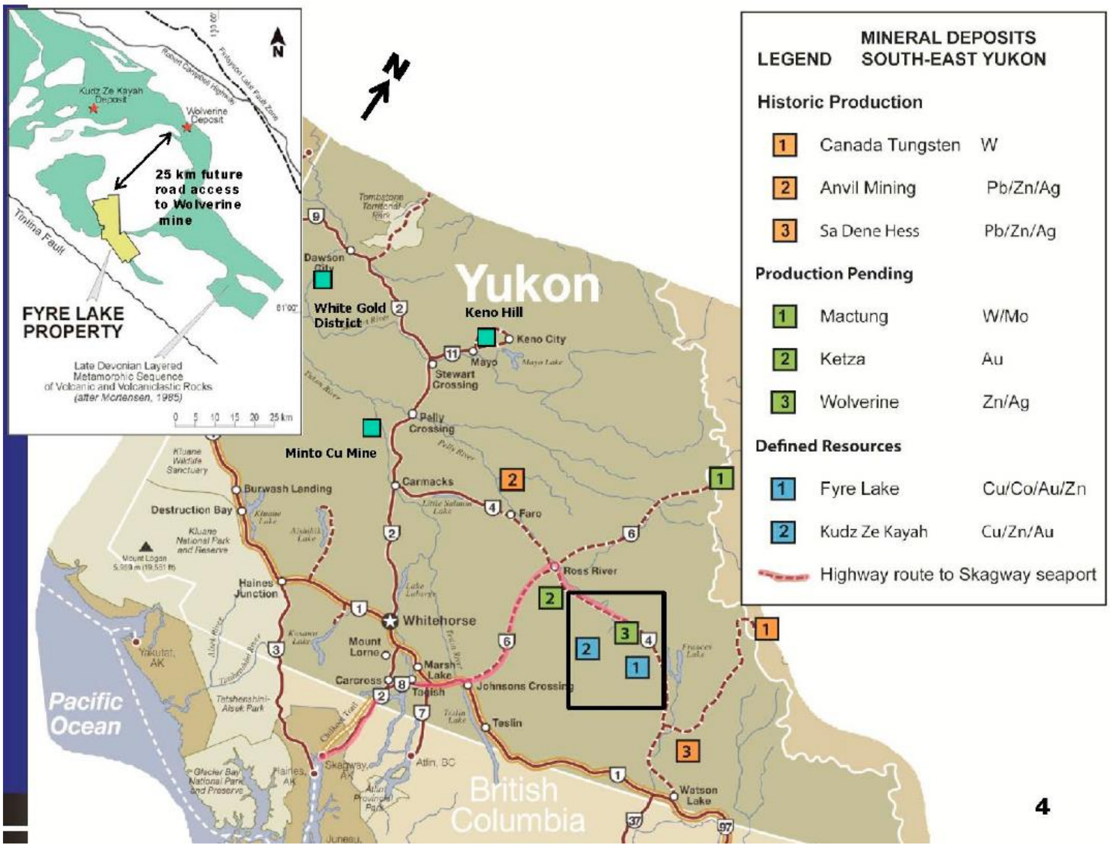

Figure 2. Fyre Lake project location map.

DIRECTORS' REPORT *(Continued)*

Merah aims to increase the size of the Fyre Lake mineral resource via infill and extensional drilling with a high probability of materially increasing the JORC compliant resource.

Significant exploration potential remains, over and above determining the ultimate size of the massive sulphide deposit. A 4km long exploration target located northeast of Fyre Lake and a three kilometre-long exploration target lying west of Fyre Lake (both based on magnetic anomalies) are larger and more intense as compared to the magnetic feature associated with the existing mineralization.

These anomalies are priority drill targets for discovery of additional VMS deposits.

On 11th August 2014, the Company announced that Oresearch completed negotiations with Teck Australia Limited (Teck) to acquire an interest in its Coober Pedy copper project located in South Australia. Merah is proposed to acquire an interest in the copper asset via completion of the acquisition of Oresearch (detailed to above).

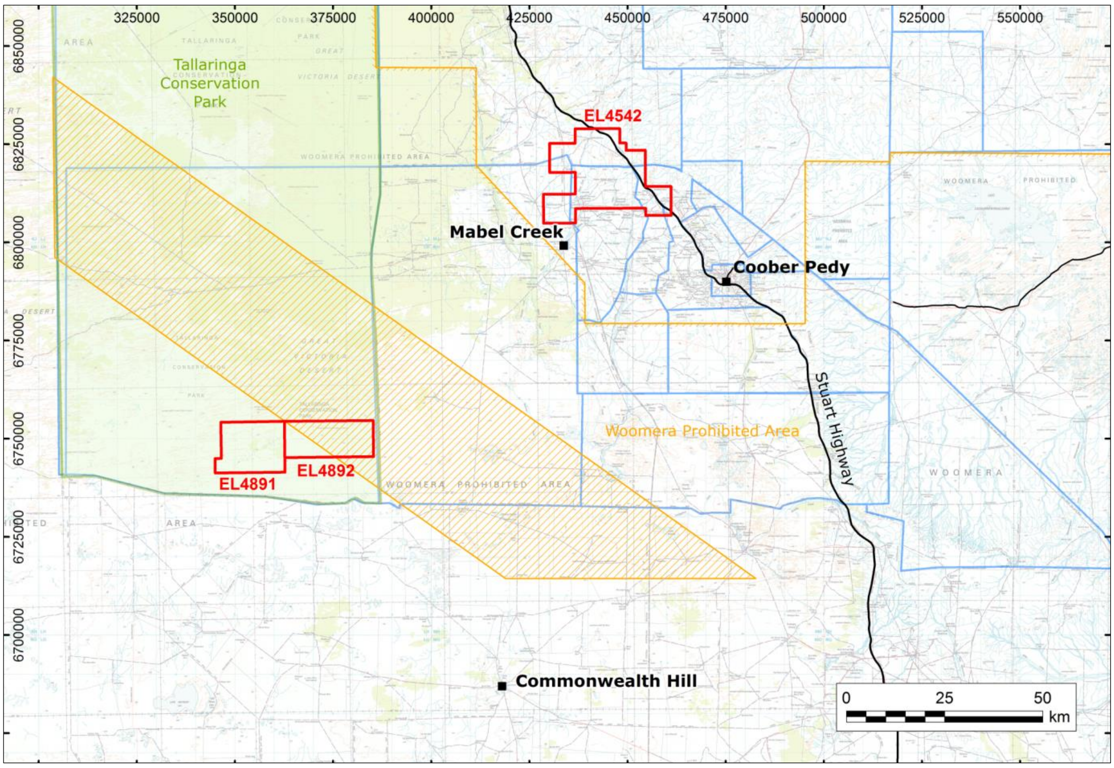

Figure 3. Coober Pedy project location map.

Under the Agreement with Teck, Oresearch will complete an initial drilling program of at least 1,200m to test the geophysical anomalies defined at the Cyclops prospect (EL4891/4892), with subsequent exploration to be determined based on the results of this initial drilling program.

Competent Person Statement

*Exploration or technical information in this report relating to the Ghanaian project has been prepared by **Mr Ian Prentice BSc**, who is a non-executive director of Merah, director of Zephyr Consulting Group Pty Ltd and a Member of the Australian Institute of Mining and Metallurgy. Mr Prentice has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Prentice consents to the report being issued in the form and context in which it appears.*

DIRECTORS' REPORT *(Continued)*

FUTURE STRATEGY

The Company is working to define mineralisation on its current project in The Republic of Ghana and the projects which are to be acquired subsequent to year end, pursuant to shareholder approval. The Company intends to undertake exploration activities on these projects including follow-up geo-chemistry, geo-physics and RC drilling programs to assist with project evaluation and resource definition.

The Company also intends to continue to identify, evaluate and if warranted, acquire additional resource projects and assets both in Australia and overseas. These projects may be acquired by way of direct project acquisition, joint venture, farm-in or equity investment.

FINANCIAL POSITION

The Company had cash funds on hand of $141,399 (2013: $1,133,496) at the reporting period end.

FINANCIAL RESULT

The loss for the financial year ended 30 June 2014 for the Company was $792,267 (2013: $1,099,373).

DIVIDENDS PAID OR RECOMMENDED

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There has not been any significant changes in the state of affairs of the Company during the year.

POST BALANCE DATE EVENTS

On 18 July 2014, the Company announced that it has entered into an Agreement with Oresearch Limited to acquire 100% of their issued capital, and additionally entered into a farm-in joint venture agreement with Pacific Ridge Exploration Ltd to acquire the right to earn up to an 80% interest in the Fyre Lake project located in Yukon Canada.

On 21 July 2014, the Company announced the completion of a Placement of 4,100,000 fully paid ordinary shares in the Company at $0.03 per share to facilitate the acquisition of Oresearch Limited.

On 11 August 2014, the Company announced that with the signing of the Agreement between Oresearch and Teck, upon settlement of the acquisition of Oresearch, Merah will now also acquire an interest in the Coober Pedy Project, located in South Australia.

On 19 August 2014, the Company issued a prospectus for a non-renounceable entitlement issue of two (2) shares for every three (3) shares held by those Shareholders registered at the Record Date at an issue price of $0.03 per share to raise up to $661,900. The entitlements offer is fully underwritten by Patersons Securities Limited.

On 29 August 2014, the Company lodged a Notice of Meeting pursuant to the transactions entered into with Oresearch Limited and Pacific Ridge Exploration Limited. The EGM is to be held on 29 September 2014.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2014 which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

The Company intends to offer investors further exposure to the energy and resources sector in Australia and overseas. The Company aims to achieve this goal through a combination of:

* Advancing exploration on its current Ghanaian project and proposed Australian and Canadian interests;
* Aggressive pursuit of further prospective exploration in Australia and overseas;
* Reviewing and potentially acquiring other interests in Australia and overseas; and
* Utilising the Board and management’s collective experience and skills to progress any discoveries to commercial production.

DIRECTORS' REPORT *(Continued)*

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

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

The Directors have considered the National Greenhouse and Energy Reporting Act 2007 (the "NGER Act") which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Company for the current or subsequent financial year. The Directors will reassess this position as and when the need arises.

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The remuneration policy of Merah Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Merah Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed and approved by the Board.

- In determining competitive remuneration rates, the Board considers local and international trends among comparative companies and the industry generally so that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

Performance Based Remuneration

The Company is currently an exploration entity and is therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options and equity based performance incentives have been and may be further issued to provide a performance-linked incentive component in the remuneration package for the Directors and for the future performance by the Directors and key management personnel in managing the operations and strategic direction of the Company. All remuneration paid to Directors is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology For details of Directors' and executives' interests in options and performance rights at year end, refer note 13 of the financial statements.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to align the strategic goals of the Company to create value for shareholders, Directors and executives. Currently, this is facilitated through the issue of options to the majority of Directors and performance rights to executives to encourage the alignment of personal and shareholder interests. The Company believes the policy will be effective in increasing shareholder wealth. For details of Directors' and executives' interests in options and performance rights at year end, refer to the remuneration report and note 13 of the financial statements.

Performance Income as a Proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

DIRECTORS' REPORT *(Continued)*

REMUNERATION REPORT (AUDITED) (continued)

Remuneration Policy of Key Management Personnel
The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

Non-executive Directors
The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently set at $250,000. Fees for non-executive directors are not linked to the performance of the Company; however, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Directors' Fees
A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for reasonable out of pocket expenses incurred as a result of their Directorship or any special duties.

Service Agreements
On 5 September 2011 the Company entered into an Employment Agreement ("Agreement") with Mr David Deloub pursuant to which Mr Deloub was appointed as Managing Director of the Company. The terms of the Agreement are, Mr Deloub will be paid an amount of $200,000 per annum plus statutory superannuation to be reviewed annually. The Agreement is for a term of 2 years, where either Mr Deloub or the Company may terminate at any time on the giving of not less than three (3) months' notice in writing.

On 6 September 2013, Mr David Deloub's executive service agreement was renewed for a further 2 year term under the same terms as stated above. As at 30 April 2014, Mr Deloub's position was amended to Executive Chairman.

Retirement Benefits
Other retirement benefits may be provided directly by the Company if approved by shareholders; however no retirement benefits other than statutory superannuation are currently paid.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(a) Details of Key Management Personnel

Directors
David Deloub – Executive Chairman *(Appointed Executive Chairman 30 April 2014)*
Ian Prentice – Non-Executive Director
Jason Eveleigh – Non-Executive Director *(Appointed 30 April 2014)*
Richard Homsany – Non-Executive Chairman *(Resigned 30 April 2014)*
Suzie Foreman – Non-Executive Director *(Resigned as Non-Executive Director 30 April 2014)*

Except as detailed in Notes (a) – (d) to the Remuneration Report, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS *(Continued)*

(b) Compensation of Key Management Personnel

Remuneration Policy

The Board of Directors, comprising predominantly of Non-Executive Directors, is responsible for determining and reviewing compensation arrangements for the executive team. Directors' remuneration and other terms of employment are reviewed annually by the Non-Executive Directors having regard to performance against goals set at the start of the period, and relative comparative information. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration of Directors is set out below.

The value of remuneration received, or receivable, by key management personnel for the financial year to 30 June 2014 is as follows:

2014	Primary		Equity Compensation		Post-employment		Performance related %
Directors	Base Salary and Fees (i, ii, iii,iv, v) $	Bonus and Non Monetary Benefits $	Value of Options $	Performance Rights (d) $	Superannuation Contributions $	Total $	
David Deloub(1)	200,000	-	-	2,970	18,500	221,470	1.3
Ian Prentice	97,000	-	-	-	2,313	99,313	-
Jason Eveleigh(2)	-	-	-	-	-	-	-
Richard Homsany(3)	15,000	-	-	-	1,388	16,388	-
Suzie Foreman(4)	25,000	-	-	-	2,313	27,313	-
Total	337,000	-	-	2,970	24,514	364,484	

2013	Primary		Equity Compensation		Post-employment		Performance related %
Directors	Base Salary and Fees (i, ii, iii,iv,v) $	Bonus and Non Monetary Benefits $	Value of Options $	Performance Rights (d) $	Superannuation Contributions $	Total $	
Richard Homsany	18,000	-	-	-	1,620	19,620	-
David Deloub	200,000	-	-	6,670	18,000	224,670	2.9
Ian Prentice	66,000	-	-	-	2,700	68,700	-
Suzie Foreman	30,000	-	-	-	2,700	32,700	-
Total	314,000	-	-	6,670	25,020	345,690	

(1) Appointed Executive Chairman 30 April 2014
(2) Appointed 30 April 2014
(3) Resigned 30 April 2014
(4) Resigned as Non-Executive Director 30 April 2014

(i) During the year ended 30 June 2014, Cardinals Corporate Pty Ltd, an entity related to Mr Richard Homsany, received $45,000 (2013: $75,099) exclusive of GST for the provision of legal services in relation to the Company.

(ii) During the year ended 30 June 2014, Athena Corporate Pty Ltd, an entity related to Ms Suzie Foreman, received $46,200 (2013: $46,200) exclusive of GST for the provision of company secretarial and accounting work to the Company. Athena has been engaged to provide corporate services to the Company.

(iii) During the year ended 30 June 2014, Zephyr Consulting Group Pty Ltd, an entity in which Mr Ian Prentice is a major shareholder, received $86,400 (2013: $86,400) exclusive of GST for the provision of office space and administration support services to the Company. Zephyr has been engaged to provide ongoing office and administrative support services to the Company.

(iv) During the year ended 30 June 2014, Ian Prentice received $72,000 (2013: $36,000) for the provision of geological services to the Company, these are included in his remuneration above.

(v) During the year ended 30 June 2014, Chess Capital Partners (Chess), an entity in which Jason Eveleigh is a director, received $60,000 (2013: $25,000) exclusive of GST, for the provision of corporate advisory services to the Company. Chess has been engaged to provide corporate advisory to the Company until September 2014.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS *(Continued)*

All transactions (i)-(v) were provided outside of director duties performed and entered into on normal commercial terms and have not been included as part of directors' remuneration.

Shares Held by Key Management Personnel

2014	**Balance at 01.07.13**	**Bought & (Sold)**	**Options Exercised**	**Other**[+]	**Balance at 30.06.14**
Directors					
David Deloub	875,000	-	-	-	875,000
Ian Prentice[*]	1,300,000	-	-	-	1,300,000
Jason Eveleigh[(1)]	-	-	-	1,085,000	1,085,000
Richard Homsany[(2)]	-	-	-	-	-
Suzie Foreman[(3)]	200,000	-	-	(200,000)	-
	2,375,000	-	-	885,000	3,260,000

2013	**Balance at 01.07.12**	**Bought & (Sold)**	**Options Exercised**	**Other**	**Balance at 30.06.13**
Directors					
Richard Homsany	-	-	-	-	-
David Deloub	875,000	-	-	-	875,000
Ian Prentice[1]	1,300,000	-	-	-	1,300,000
Suzie Foreman	200,000	-	-	-	200,000
	2,375,000	-	-	-	2,375,000

*Includes 800,000 Shares are held beneficially by Zephyr Consulting Group Pty Ltd, an entity Mr Prentice is a major shareholder.
[+] On Appointment/ Resignation
(1) Appointed 30 April 2014
(2) Resigned 30 April 2014
(3) Resigned as Non-Executive Director 30 April 2014

Options Held by Key Management Personnel

2014	**Balance at 01.07.13**	**Received as Remuneration**	**Exercise of Options**	**Other** [+]	**Balance at 30.06.14**	**Total Vested**	**Total Exercisable**
Directors							
David Deloub	-	-	-	-	-	-	-
Ian Prentice[(i)]	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Jason Eveleigh[(1)]	-	-	-	1,333,333	1,333,333	1,333,333	1,333,333
Richard Homsany[(2)]	500,000	-	-	(500,000)	-	500,000	500,000
Suzie Foreman[(3)]	500,000	-	-	(500,000)	-	500,000	500,000
	2,000,000	-	-	333,333	2,333,333	3,333,333	3,333,333

[+] On Appointment/ Resignation
(1) Appointed 30 April 2014
(2) Resigned 30 April 2014
(3) Resigned as Non-Executive Director 30 April 2014, remained as Company Secretary.

(i) Includes 500,000 options are held by Zephyr Consulting Group Pty Ltd, an entity in which Mr Prentice has a relevant interest.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS *(Continued)*

2013	**Balance at 01.07.12**	**Received as Remuneration**	**Exercise of Options**	**Other**	**Balance at 30.06.13**	**Total Vested**	**Total Exercisable**
Directors							
Richard Homsany	500,000	-	-	-	500,000	500,000	500,000
David Deloub	-	-	-	-	-	-	-
Ian Prentice (i)	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Suzie Foreman	500,000	-	-	-	500,000	500,000	500,000
	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000

Share and Option Holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

Options Issued as Part of Remuneration for the Year Ended 30 June 2014

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors of Merah Resources Limited to increase goal congruence between executives, directors and shareholders.

(c) Compensation Options

During and since the financial year ended 30 June 2014 (2013: nil), no options were granted by the Company to Directors.

(d) Performance Rights Issued

During the year ended 30 June 2014, 1,000,000 Performance Rights A expired unvested. No Performance Rights were issued during the year ended 30 June 2014. See Note 13(e) for more detail.

Number of Performance Rights Held by Key Management Personnel

2014	**Balance at 01.07.13**	**Received as Remuneration**	**Conversion**	**Expired**	**Balance at 30.06.14**	**Total Vested**	**Total Convertible**
Directors							
David Deloub	3,000,000	-	-	(1,000,000)	2,000,000	-	-
Ian Prentice	-	-	-	-	-	-	-
Jason Eveleigh(1)	-	-	-	-	-	-	-
Richard Homsany(2)	-	-	-	-	-	-	-
Suzie Foreman(3)	-	-	-	-	-	-	-
	3,000,000	-	-	(1,000,000)	2,000,000	-	-

(1) Appointed 30 April 2014
(2) Resigned 30 April 2014
(3) Resigned as Non-Executive Director 30 April 2014, remained as Company Secretary.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS *(Continued)*

2013	Balance at 01.07.12	Received as Remuneration	Conversion	Expired	Balance at 30.06.13	Total Vested	Total Convertible
Directors							
Richard Homsany	-	-	-	-	-	-	-
David Deloub	3,000,000	-	-	-	3,000,000	-	-
Ian Prentice	-	-	-	-	-	-	-
Suzie Foreman	-	-	-	-	-	-	-
	3,000,000	-	-	-	3,000,000	-	-

There are no unpaid amounts on shares issued.

END REMUNERATION REPORT

MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial year each director held office and the number of meetings attended by each director are:

	Directors Meetings	
Director	**Meetings Attended**	**Number Eligible to Attend**
David Deloub	3	3
Ian Prentice	3	3
Jason Eveleigh	0	0
Richard Homsany	3	3
Suzie Foreman	3	3

The Company does not currently have any sub-committees in place.

OPTIONS

At the date of this report the following options over new ordinary shares in the Company were on issue.

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted Options	31 August 2015	$0.20	7,000,000

No ordinary shares were issued as a result of the exercise of options during or since the financial year ended 30 June 2014.

Equity Holdings

The relevant interests of each director in the Company's share capital, options and performance rights at the date of this report are as follows:

Directors	Number of Shares(i)	Number of Options (i)	Number of Performance Rights
David Deloub	875,000	-	2,000,000
Ian Prentice(i)	1,300,000	1,000,000	-
Jason Eveleigh	1,085,000	1,333,333	-
	3,260,000	**2,333,333**	**2,000,000**

(i) Includes 800,000 shares and 500,000 options are held beneficially by Zephyr Consulting Group Pty Ltd, an entity of which Mr Prentice is a major shareholder.

DIRECTORS' REPORT ***(Continued)***

INDEMNIFYING OFFICERS OR AUDITOR

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

During the financial year the Company paid a premium of $6,205 in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 24 and forms part of the directors' report.

NON-AUDIT SERVICES

No fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2014.

This report is made in accordance with a resolution of the directors.

David Deloub
Executive Chairman

11 September 2014

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting year, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/supervision/governance/index.htm.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives, where applicable in the performance of their roles.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board consists of two independent Directors, Mr Ian Prentice and Mr Jason Eveleigh and one non-independent Director, Mr David Deloub, who is the Executive Chairman.

The Board considers that the composition of the Board is adequate for the Company's current size and scale of operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

Independence is measured having regard to the relationships listed in Box 2.1 of the Corporate Governance Principles and Recommendations and the Company's materiality thresholds.

Independence of Non-executive Directors and the Chairman of the Board

The roles of Chairman and the Managing Director are exercised by the same individual being Mr David Deloub. The Company therefore does not comply with Recommendation 2.3 of the Principles of Good Corporate Governance, however, it believes that the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of the Company.

The non-independent chair of the Board is Mr David Deloub, who also is an executive director. The Company is of the view that the size and scale of its current operations do not warrant the appointment of an independent chairperson and that non-compliance with this Recommendation 2.2 will not be detrimental to the Company.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (Continued)

Nomination and Remuneration Committee

There is no nomination committee separate to the full Board. The role of the nomination committee is undertaken by the full Board. The Board considers that, given the Board is comprised of three (3) Directors and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate nomination committee.

Board Renewal and Succession Planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election. The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

Evaluation of the Performance of the Board, its Committees and Individual Directors

The performance of the Board and individual directors are evaluated in accordance with the Performance Evaluation Policies introduced via Board Charter. The objective of this evaluation will be to provide best practice corporate governance to the Company. Board Performance Evaluation Policy is available at the Company's website.

Induction and Education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to Information and Advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

Trading in Company Shares

The Share Trading Policy sets out the Company's policy regarding the trading in Company securities, which includes shares, options, warrants, debentures, performance rights and any other security on issue from time to time. This policy is separate from and additional to the legal constraints imposed by the common law, the Corporations Act and ASX Listing Rules.

This policy applies to all Directors and employees of the Company and their associates (including spouses, children, family trusts and family companies) as well as contractors, consultants, advisers and auditors of the Company ("designated officers").

The Share Trading Policy is available on Merah Resource's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a Code of Conduct which applies to all directors and officers of the Company. It sets out Merah Resources' commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

The Code of Conduct is available on Merah Resources' website.

Diversity Policy

The board has adopted a diversity policy which applies to all directors and officers of the Company. The Company is committed to diversity across the organisation. Diversity includes, but is not limited to, gender, age, experience, ethnicity and cultural background.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING (Continued)

To the extent practicable and appropriate, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board has not yet set measurable objectives for achieving gender diversity. The Board is committed to actively supporting and managing diversity as a means of enhancing the Company's performance by recognizing and utilizing the contribution of diverse skills and talent from its directors, officers, employees and consultants. However, at this stage of the Company's operations and the limited number of employees, the Board has determined that no specific measurable objectives will be established. The Board will review this position as the Company's circumstances change.

The Board will however, conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary. As at the date of this report, the Company has the following proportion of women appointed:

- to the Board – 0% (nil out of three)
- to senior management – 25% (one out of four)
- to the organisation as a whole – 25% (one out of four)

The complete Diversity Policy is available on Merah Resources' website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. The Board considers that, given the Board is comprised of three (3) Directors and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate audit committee.

Role and responsibilities of the Audit Committee.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

The Audit Committee or, as at the date of this report the full Board of the Company, reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

The Board has received assurance from the Chair and the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

External Auditor

The Audit and Risk Committee or as at the date of this report the full Board of the Company reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is HLB Mann Judd (WA Partnership) ("HLB"). The appointment of HLB was ratified by members at the Annual General Meeting held on 29 November 2011.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on Merah Resources' website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

(a) compliance with the continuous disclosure obligations;
(b) compliance with insider trading laws;
(c) compliance with financial reporting obligations;
(d) compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
(e) communication with shareholders in a clear, regular, timely and transparent manner; and
(f) response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.
The Shareholder Communications Policy is available on Merah Resources' website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Merah Resources recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

Risk Oversight

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for overseeing and managing risk. As the whole Board only consists of three (3) members, the Company does not have a Risk Management Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. At the date of this report the full Board of the Company is responsible for establishing policies on risk oversight and management.

Risk Management Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Risk Management Committee. Below is a summary of the Risk Management Policy which the Company has adopted, which includes:

- identifying risks to the Company;
- balancing risk to reward;
- ensuring regulatory compliance is achieved; and
- ensuring senior executives, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular Board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

PRINCIPLE 7: RECOGNISE AND MANAGE RISK (Continued)

7.2 Attestations by CEO and CFO

It is the Board's policy, that the CEO (or equivalent) and the CFO (or equivalent) make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. The CEO and CFO, or persons acting in those roles, have declared to the Board that the Company's management of its material business risks is effective.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

The Risk Management Policy is available on the Merah Resources website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

The role of the remuneration committee is undertaken by the full Board. The Board considers that, given the Board is comprised of three (3) Directors and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate remuneration committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings, when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that no Directors participate in any deliberations regarding their own remuneration or related issues.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate Remuneration Committee.

Non-executive Directors' Remuneration Policy

The structure of non-executive directors' remuneration is currently clearly distinguished from that of executives.

Non-executive directors are remunerated at fixed rates which are in line with market rates (for comparable companies) for time, commitment and responsibilities. Remuneration for non-executives is not linked to the performance of the Company. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company has, and may consider it appropriate to issue unlisted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review.

All of the Directors option holdings are fully disclosed.

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors are also entitled to but not necessarily paid statutory superannuation.

The Corporate Governance Guidelines and Recommendations recommend that non-executive directors should not receive options or participate in schemes designed for the remuneration of executives. The Employee Share Option Plan is not in accordance with Recommendation 8.3, however issues under the plan have now expired.

Executive Directors' Remuneration Policy

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

Executive payroll and rewards consist of a base salary and performance incentives. No short term bonus incentive mechanism is currently in place, due to the size of the Company and cash limitations imposed as a result of the Company's stage of development. Long term performance incentives may include options or performance rights granted at the discretion of the Board, and subject to obtaining the relevant shareholder approvals.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

The grant of options and performance rights are designed to recognize and reward efforts as well as provide an additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered competitive levels of base salary at market rates (for comparable companies) and are reviewed annually to ensure market competiveness.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations.

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 1	**Lay solid foundations for management and oversight**		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website and Page 17
Rec 1.2	Companies should disclose the process for evaluation the performance of senior executives.	Yes	Website and Page 17
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website and Page 17
Pr 2	**Structure the board to add value**		
Rec 2.1	A majority of the board should be independent directors.	Yes	Website and Page 17
Rec 2.2	The Chairman should be an independent director.	No	Website and Page 17
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	No	Website and Page 17
Rec 2.4	The board should establish a nomination committee	No	Website and Page 18
Rec 2.5	Companies should disclose the process of evaluating the performance of the board, its committees and individual directors.	Yes	Website and Page 18
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2	Yes	Website and Page 18
Pr 3	**Promote ethical and responsible decision making**		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: the practices necessary to maintain confidence in the company's integrity the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website and Page 18
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Yes	Page 18
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	Page 19
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board	Yes	Page 19
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website and Page 19

CORPORATE GOVERNANCE STATEMENT *(Continued)*

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 4	**Safeguard integrity in financial reporting**		
Rec 4.1	The board should establish an audit committee.	No	Website and Page 19
Rec 4.2	The audit committee, in this case the Board, should be structured so that it: - consists only of non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not the chair of the board; and - has at least three members.	No	Website and Page 19
Rec 4.3	The audit committee should have a formal charter.	Yes	Website and Page 19
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website and Page 19
Pr 5	**Make timely and balanced disclosure**		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website and Page 20
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website and Page 20
Pr 6	**Respect the rights of shareholders**		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website and Page 20
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website and Page 20
Pr 7	**Recognise and manage risk**		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website and Page 20
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website and Page 20
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website and Page 20
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website and Page 21
Pr 8	**Remunerate fairly and responsibly**		
Rec 8.1	The board should establish a remuneration committee.	No	Website and Page 21
Rec 8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors - is chaired by an independent director - has at least three members	No	Website and Page 21
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	No	Website and Page 21
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website and Page 21

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Merah Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia
11 September 2014

M R W Ohm
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Note	Year Ended 30 June 2014 $	Year Ended 30 June 2013 $
Other income	2(a)	14,093	81,591
Consultancy expenses		(68,080)	(111,917)
Administration expenses		(99,932)	(99,798)
Legal and compliance		(161,769)	(179,844)
Employee benefits expense		(287,174)	(317,001)
Depreciation		(26,055)	(25,572)
Exploration expenses		(38,013)	(108,291)
Other expenses		(35,373)	(15,967)
Write down of project expense	2(c)	(86,994)	(315,919)
Equity based payments	2(b)	(2,970)	(6,670)
Loss before income tax expense		(792,267)	(1,099,388)
Income tax benefit / (expense)	3	-	-
Net loss for the year	10	(792,267)	(1,099,388)
Other comprehensive income/(loss) net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	11(c)	-	15
Total other comprehensive income/(loss) for the year		(792,267)	(1,099,373)
Total comprehensive income/(loss) for the year		(792,267)	(1,099,373)
Basic loss per share (cents)	15	(2.9)	(4.2)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	4	141,399	1,133,496
Trade and other receivables	5	39,251	46,284
TOTAL CURRENT ASSETS		180,650	1,179,780
NON-CURRENT ASSETS			
Plant and equipment	6	24,890	49,514
Exploration and evaluation expenditure	7	754,377	163,055
TOTAL NON-CURRENT ASSETS		779,267	212,569
TOTAL ASSETS		959,917	1,392,349
CURRENT LIABILITIES			
Trade and other payables	8	155,764	96,699
TOTAL CURRENT LIABILITIES		155,764	96,699
TOTAL LIABILITIES		155,764	96,699
NET ASSETS		804,153	1,295,650
EQUITY			
Share capital	9	3,123,055	2,825,255
Reserves	11	13,102	16,299
Accumulated losses	10	(2,332,004)	(1,545,904)
TOTAL EQUITY		804,153	1,295,650

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Share Capital	Equity Based Payment Reserve	Foreign Currency Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2013	2,825,255	16,284	15	(1,545,904)	1,295,650
Loss for the year	-	-	-	(792,267)	(792,267)
Foreign exchange translation	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(792,267)	(792,267)
Value of Performance Rights expensed during the year	-	(3,197)	-	6,167	2,970
Shares issued	260,000	-	-	-	260,000
Unissued shares under agreement	37,800	-	-	-	37,800
Balance at 30 June 2014	3,123,055	13,087	15	(2,332,004)	804,153

	Issued Capital	Equity Based Payment Reserve	Foreign Currency Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2012	2,825,255	9,614	-	(446,516)	2,388,353
Loss for the year	-	-	-	(1,099,388)	(1,099,388)
Foreign exchange translation	-	-	15	-	15
Total comprehensive income/(loss)	-	-	15	(1,099,388)	(1,099,373)
Value of Performance Rights expensed during the year	-	6,670	-	-	6,670
Balance at 30 June 2013	2,825,255	16,284	15	(1,545,904)	1,295,650

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Note	Consolidated Year Ended 30 June 2014 $	Consolidated Year Ended 30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(680,333)	(539,960)
Payments for exploration activities		(324,426)	(637,785)
Interest received		14,093	64,209
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	12(a)	(990,666)	(1,113,536)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(1,431)	(73,712)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,431)	(73,712)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		-	-
Transaction costs on issue of shares		-	-
NET CASH FLOWS PROVIDED BY OR (USED IN) FINANCING ACTIVITIES		**-**	**-**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(992,097)	(1,187,248)
Cash and cash equivalents at beginning of the year		1,133,496	2,320,744
CASH AND CASH EQUIVALENTS AT END OF YEAR	12(b)	141,399	1,133,496

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Merah Resources Limited (the "Group") is a listed public company, incorporated and domiciled in Australia. The entity's principal activities are mineral exploration.

The financial report is presented in Australian dollars.

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

The financial information has been prepared on the accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

Statement of Compliance
The financial report was authorised for issue on 11 September 2014.

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

Adoption of New and Revised Standards
In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations On Issue Not Yet Adopted
The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Merah Resources Limited and its subsidiaries, Merah Africa Exploration Limited and Merah West Africa Limited, as at 30 June each year (the Group). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statement of the subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Income Tax

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

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

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

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

(d) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Exploration and Evaluation Expenditure *(Continued)*

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

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

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

Accumulated costs in respect of areas of interest which are abandoned are written off in full against income statement in the year in which the decision to abandon the area is made.

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

(e) Cash and Cash Equivalents

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

For the purpose of the Statement of Cash Flows, cash includes on hand and other funds held at call net of bank overdrafts.

(f) Trade and Other Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Amounts are unsecured and are usually paid within 30 to 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(g) Trade and Other Receivables

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

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Trade and Other Receivables *(Continued)*

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(h) Goods and Services Tax (GST)

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

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

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

(i) Earnings Per Share

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

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

(j) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Director of Merah Resources Limited.

(k) Issued Capital

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of Assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired.

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

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

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

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Share-based Payment Transactions

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

There is currently a Performance Rights Plan (PRP) in place which provides benefits and incentives for senior executives and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes option pricing model, further details of which are given in notes 13 and 22.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Merah Resources Limited.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Share-based Payment Transactions *(Continued)*

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

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Refer note 15.

(o) Foreign Currency Translation

The functional and presentation currency of Merah Resources Limited is Australian dollars. The functional currency of the foreign operations, Merah Exploration Africa Limited and Merah West Africa Limited, is US dollars, "USD". Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

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

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

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Merah Resources Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of $792,267 and had net cash outflows from operating activities of $990,666 for the year ended 30 June 2014 and has a cash balance of $141,399 at the year end.

The Group completed a Placement raising $123,000 before costs via the issue of 4,100,000 fully paid ordinary shares at $0.03 per share on 18 July 2014. In addition on 19 August 2014, the Company issued a prospectus for a non-renounceable entitlement issue to raise up to $661,900. The entitlements offer is fully underwritten by Patersons Securities Limited. The underwriting is subject to receipt of approval by shareholders of the Oresearch acquisition, at an EGM to be held on 30 September 2014.

In addition, in accordance with the Ghanaian tenements introductory fee, the Company made a cash payment of $45,000 on 1 August 2014. Additionally, the Group is required to fund annual exploration expenditure of $250,000 per annum on the project.

The Group will likely require further funding during the 2014 financial year in order to meet the day to day obligations as they fall due and to meet the expenditure commitments in respect of its existing and proposed exploration projects.

The Directors however are confident the Group will be successful in raising additional funds through the issue of new equity and that the going concern basis is appropriate for these financial statements. Should the Company be unable to raise additional capital, in this case the Directors would consider alternative options such as potential farm-out activity, not pursuing the proposed earn in / joint ventures or reducing non-essential expenditure. However, the existence of the above conditions indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

(q) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – over 5 to 15 years (diminishing value)
Computer equipment – 3 years (diminishing value)
Leasehold improvements – term of the lease (straight line basis)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

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

(*ii) Derecognition and Disposal*
An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions

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

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

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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

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

(s) Employee Leave Benefits

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

(t) Parent Entity Financial Information

The financial information for the parent entity, Merah Resources Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements.

(u) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires the Group's management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Share-based Payment Transactions:
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using the assumptions detailed in Note 22.

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

Exploration and Evaluation Expenditure:
The Directors have conducted a review of the Group's capitalized exploration expenditure to determine the existence of any indicators of impairment. Based upon this review, the Directors have determined that a total of $86,994 be written off in relation to expenditure on the Group's areas of interest in the Bounty and McAuley tenements in Western Australia and Kong project in Ghana.

	Note	Consolidated Year Ended 30 June 2014 $	Consolidated Year Ended 30 June 2013 $
2. REVENUES AND EXPENSES			
(a) Interest income		14,093	60,060
Foreign exchange gain		-	21,531
		14,093	81,591
Equity based payments expense			
(b) Performance rights	13	2,970	6,670
		2,970	6,670
Impairment of capitalised exploration			
(c) - Bounty and McAuley project		51,294	80,668
- Goldspy Ugandan project		-	235,251
- Kong project - Ghana		35,700	-
		86,994	315,919
3. INCOME TAX			
(a) The components of tax expense comprise:			
Current tax		-	-
Deferred tax		-	-
		-	-
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)		(237,681)	(329,816)
Add tax effect of:			
- Revenue losses not recognised		199,472	211,458
- Equity Based Payments		891	2,001
- Non-allowable items		57,429	133,244
		20,111	16,887
Less tax effect of:			
- Other deferred tax balances not recognised		20,111	16,887
		-	-
(c) Deferred tax recognised:			
Deferred tax liabilities:			
Exploration expenditure		-	(15,388)
Other		(41)	(720)
Deferred tax assets:			
Carry forward revenue losses		41	16,108
Net deferred tax		-	-

	Consolidated Year Ended 30 June 2014 $	Consolidated Year Ended 30 June 2013 $

3. INCOME TAX *(Continued)*

(d) Unrecognised deferred tax assets:		
Carry forward revenue losses	528,357	332,752
Capital raising costs	41,776	60,413
Provision and accruals	9,612	10,376
Other	-	710
	579,745	404,251

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
(b) the company continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

	Consolidated As at 30 June 2014 $	Consolidated As at 30 June 2013 $

4. CASH AND CASH EQUIVALENTS

Cash at bank	141,399	1,133,496
	141,399	1,133,496

Cash at bank earns interest at floating rates based on a daily bank deposit rates.

5. TRADE AND OTHER RECEIVABLES

Current		
Prepayments	10,515	9,146
Other receivable	28,736	13,188
Other assets	-	23,950
	39,251	46,284

There are no impaired or past due trade debtors as at 30 June 2014. Due to the nature of the above assets (primarily GST paid) an aging is not presented.

6. PLANT AND EQUIPMENT

At cost	77,220	75,789
Accumulated Depreciation	(52,330)	(26,275)
Net carrying amount	24,890	49,514

(a) Movements in carrying amounts

Plant and Equipment

At beginning of the year	49,514	1,374
Additions	1,431	73,712
Depreciation	(26,055)	(25,572)
At end of the year	24,890	49,514

	Note	Consolidated Year Ended 30 June 2014 $	Consolidated Year Ended 30 June 2013 $

7. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of exploration and evaluation phase:

Balance at beginning of the year	163,055	69,920
Exploration capitalised during the year	678,316	409,054
Exploration written off	(86,994)	(80,668)
Goldspy project written off	-	(235,251)
Total exploration and evaluation expenditure	754,377	163,055

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

During the year, the Company relinquished the Bounty and McAuley projects and the Kong project to focus on the Antubia project.

	Consolidated As at 30 June 2014 $	Consolidated As at 30 June 2013 $

8. TRADE AND OTHER PAYABLES

Current		
Trade creditors	41,725	47,709
Other payables and accruals	114,039	48,990
	155,764	96,699

Trade creditors are non-interest bearing and are normally settled on 60 day terms.

9. SHARE CAPITAL

	Consolidated			
(a) Ordinary share capital	**As at 30 June 2014 $**	**As at 30 June 2014 Number of Shares**	**As at 30 June 2013 $**	**As at 30 June 2013 Number of Shares**
At the beginning of the year	2,825,255	26,495,001	2,825,255	26,495,001
- Vendor Shares – Ghana Project	260,000	2,000,000	-	-
- Unissued shares under agreement	37,800	500,000	-	-
Balance at end of year	3,123,055	28,995,001	2,825,255	26,495,001

9. SHARE CAPITAL *(Continued)*

(i) Movements in shares on issue	As at 30 June 2014 $	As at 30 June 2014 Number of Shares	As at 30 June 2013 $	As at 30 June 2013 Number of Shares
At the beginning of the year	2,825,255	26,495,001	2,825,255	26,495,001
Shares issued and paid up				
- Vendor Shares – Ghana Project	260,000	2,000,000	-	-
Total issued and paid up capital	3,085,255	28,495,001	2,825,255	26,495,001
(ii) Movements in unissued shares				
- Facilitation Shares – Ghana Project[i]	37,800	500,000	-	-
Total unissued shares	37,800	500,000	-	-
Total Ordinary share capital	3,123,055	28,995,001	-	-

[i]The Group entered into agreements in March 2014 to issue 500,000 shares in total and provide a cash payment of $45,000 to unrelated parties in connection with the introduction of the Ghanaian assets. The agreements stipulated these shares, which have been valued at grant date, would be issued subsequent to the release of 2,000,000 shares from escrow which occurred after year end.

(b) Movement in options on issue

At the end of the reporting period, there are 7,000,000 options over unissued shares as follows:

Type	Number under Option	Grant Date	Date of Expiry	Exercise Price	Value at Grant Date	Vesting Date
Unlisted Options	7,000,000	14 Sept 2010	31 Aug 2015	$0.20	$0.0031	1 May 2014

During the financial year ended 30 June 2014 (2013: nil), no ordinary shares were issued as a result of the exercise of options, and no options were issued during the year.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2014 Number of Options	Weighted Average Exercise Price $	2013 Number of Options	Weighted Average Exercise Price $
Outstanding at beginning of the year	7,000,000	$0.20	7,000,000	$0.20
Granted during the year	-	-	-	-
Outstanding at the end of the year	7,000,000	$0.20	7,000,000	$0.20
Exercisable at the end of the year	7,000,000		7,000,000	

(i) The options outstanding at 30 June 2014 had a weighted average exercise price of $0.20.
(ii) Options outstanding at 30 June 2014 had a weighted average remaining life of 1.17 years.

9. SHARE CAPITAL *(Continued)*

(c) Movement in performance rights

The Company has 2,000,000 performance rights on issue which were granted to the Executive Chairman in the year ended 30 June 2012 year. 1,000,000 performance rights expired unvested during the year. Refer to note 13(b) for details.

These performance rights will become ordinary share capital upon attainment of the relevant vesting conditions.

During the year, $2,970 represented the current period's vesting expense of the performance rights on issue.

Terms and conditions of issued capital

Ordinary Shares
Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Options Over Ordinary Shares
During the financial year ended 30 June 2014, nil (2013: nil) options have been issued over ordinary shares.

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

10. ACCUMULATED LOSSES

	Consolidated Year Ended 30 June 2014 $	**Consolidated Year Ended 30 June 2013 $**
Balance at the beginning of the year	1,545,904	446,516
Transfer from reserves to accumulated losses[(i)]	(6,167)	-
Net loss for the period	792,267	1,099,388
Balance at the end of the year	2,332,004	1,545,904

[(i)] See note 11 for details.

11. RESERVES

Reserves		
Option reserve	5,167	5,167
Performance rights reserve	7,920	11,117
Foreign currency reserve	15	15
	13,102	16,299
(a) Options reserve		
At beginning of the year	5,167	5,167
Options issued	-	-
Balance at end of the year	5,167	5,167
(b) Performance rights reserve		
At beginning of the year	11,117	4,447
Performance rights brought to account over the vesting period [(i)]	2,970	6,670
Performance rights expired unvested [(ii)]	(6,167)	-
Balance at end of the year	7,920	11,117

11. RESERVES *(Continued)*

(c) Foreign currency reserve

At beginning of the year	15	-
Foreign currency translation for period	-	15
Balance at end of the year	15	15

(i) During the financial year ended 30 June 2012, shareholders approved the issue of 3,000,000 performance rights to Mr David Deloub, the Company's Executive Director. The value of the performance rights are brought to account over the vesting period. Refer note 13 for details.

(ii) During the year, 1 million Performance Rights A expired on 31 October 2013, unvested. In accordance with AASB 2, an adjustment to current period profit or loss is not required therefore a transfer from Reserves to Accumulated Losses in the amount of $6,167 has been recorded.

Options Reserve:
This reserve is used to record the value of options provided to employees, directors and consultants as part of their remuneration. Refer to Note 13.

Performance Rights Reserve:
This reserve is used to record the value of performance rights vested of which are provided to employees, directors and consultants as part of their remuneration. Refer to the Remuneration report and Note 13.

Foreign Currency Translation Reserve:
Foreign currency translation reserve records exchange differences arising on translation of the subsidiary's functional currency (US Dollars) into presentation currency at balance date.

12. CASH FLOW INFORMATION

(a) Reconciliation of cash flows from operating activities with loss after income tax:

	Consolidated Year Ended 30 June 2014 $	Consolidated Year Ended 30 June 2013 $
Net loss for the year	(792,267)	(1,099,388)
Non-cash flows in operating activities		
Depreciation	26,055	25,572
Share-based payments	2,970	6,670
Cash flows not included in loss after income tax for the year		
Exploration capitalised	(336,651)	(73,712)
(Increase)/decrease in foreign exchange	2,966	(19,405)
Changes in assets and liabilities		
(Increase) in receivables	47,195	(13,196)
Increase in payables and accruals	59,066	59,923
Net cash flows (used in) operating activities	(990,666)	(1,113,536)

(b) Reconciliation of cash and cash equivalent:

Cash balances comprises		
- Cash at bank	141,399	1,133,496

Non Cash Financing and Investing Activities
During the year, the Company issued 2,000,000 fully paid ordinary shares to Castle Minerals at a deemed value of $0.13 per shares as part consideration in the agreement to acquire the Antubia and Kong Projects in Ghana. There were no other non-cash financing and investing activities during the year (2013: nil).

13. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(a) Details of Key Management Personnel

Directors
David Deloub – Executive Chairman
Ian Prentice – Non-Executive Director
Jason Eveleigh – Non-Executive Director
Richard Homsany – Non-Executive Chairman *(Resigned 30 April 2014)*
Suzie Foreman – Non-Executive Director *(Resigned as Non-Executive Director 30 April 2014)*

The aggregate compensation made to directors and other key management personnel of the Group is set out below:

	Consolidated Year Ended 30 June 2014 $	**Consolidated Year Ended 30 June 2013 $**
Short-term employee benefits	337,000	314,000
Post-employment benefits	24,514	25,020
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	2,970	6,670
	364,484	345,690

Details of the key management personnel can be found in the Remuneration Report of this report.

(b) Performance Rights Held By Key Management Personnel

During the year ended 30 June 2014, nil (2013: nil) Performance Rights were issued and 1,000,000 Performance Rights A expired, unvested.

During the financial year ended 30 June 2012, 3,000,000 Performance Rights were issued to the Executive Chairman. Each Performance Right will be exercisable into one fully paid ordinary share subject to the satisfaction of certain performance criteria (Exercise Conditions). In the event that the Exercise Conditions are not met, the Performance Rights will lapse and as a result, no new Shares will be issued pursuant to the Performance Rights. No consideration is payable upon the exercise of a Performance Right.

In order for the Performance Rights to become exercisable, the following Exercise Conditions must be achieved:

(a) Each Performance Right A *(expired)* will convert into one (1) Share upon the Company achieving a market capitalisation equal to or greater than $10 million based on a volume weighted average price on or before 31 October 2013 for a period of no less than 30 consecutive trading days; and

Each Performance Right B will convert into one (1) Share upon the Company achieving a market capitalisation equal to or greater than $20 million based on a volume weighted average price on or before 31 October 2015 for a period of no less than 30 consecutive trading days; and

Each Performance Right C will convert into one (1) Share upon the Company achieving a market capitalisation equal to or greater than $40 million based on a volume weighted average price on or before 31 October 2016 for a period of no less than 30 consecutive trading days.

(b) Mr Deloub must remain as an employee of the Company until the date that is three (3) months from the completion of each of the Exercise Conditions set out in paragraphs (a) above in order for the corresponding Performance Rights to be exercisable.

13. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS *(Continued)*

(c) Performance Rights Held By Key Management Personnel *(continued)*

Tranches of Performance Rights (A) and (B) have been calculated as having a fair value per right of 0.74 cents and Tranche (C) has a fair value per right of 0.56 cents. The total value of $2,970 is allocated across the current vesting period respecting the Performance Rights on issue. The fair value of the Performance Rights allocated in prior periods that expired unvested is $6,670. This amount has been transferred from reserves to accumulated losses.

Performance Rights	Tranche A	Tranche B	Tranche C
Opening Balance 1 July 2013	**1,000,000**	**1,000,000**	**1,000,000**
Vested during period	-	-	-
Expired/cancelled during period	(1,000,000)	-	-
Balance at 30 June 2014	**-**	**1,000,000**	**1,000,000**

14. SEGMENT INFORMATION

Merah Resources Limited operates predominantly in one industry being the mining and exploration industry in Australia and Africa.

Segment Information

Identification of Reportable Segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of its exploration activities in Africa and Australia and its corporate activities. Operating segments are therefore determined on the same basis.

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

Types of Reportable Segments

(i) Mineral Exploration

Segment assets, including acquisition cost of exploration licenses and all expenses related to the tenements in Africa and Australia are reported on in this segment.

(ii) Corporate

Corporate, including treasury, corporate and regulatory expenses arising from operating an ASX listed entity. Segment assets, including cash and cash equivalents, and investments in financial assets are reported in this segment.

Basis of Accounting for Purposes of Reporting by Operating Segments

Accounting Policies Adopted

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

14. SEGMENT INFORMATION *(Continued)*

Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

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

Segment Liabilities

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

2014	**Corporate**	**Exploration**	**Total**
	$	**$**	**$**
(i) Segment performance			
Segment revenue	14,093	-	14,093
Segment results	(667,260)	(125,007)	(792,267)
Included within segment result:			
• Depreciation	(3,839)	(22,216)	(26,055)
• Interest Revenue	14,093	-	14,093
• Impairment of exploration assets	-	(86,994)	(86,994)
Segment assets	181,130	778,787	959,917
Segment liabilities	(60,537)	(95,227)	(155,764)

	Corporate	**Exploration**	**Total**
	$	**$**	**$**
2013			
Segment revenue	81,591	-	81,591
Segment results	(675,178)	(424,210)	(1,099,388)
Included within segment result:			
• Depreciation	(25,572)	-	(25,572)
• Interest Revenue	60,060	-	60,060
• Impairment of exploration assets	-	(315,919)	(315,919)
Segment assets	1,229,294	163,055	1,392,349
Segment liabilities	(65,746)	(30,953)	(96,699)

14. SEGMENT INFORMATION *(Continued)*

(ii) Revenue by geographical region

There was no revenue attributable to external customers for the year ended 30 June 2014.

(iii) Assets by geographical region

Reportable segment assets are located in Africa.

15. LOSS PER SHARE

		Consolidated As at 30 June 2014 $	Consolidated As at 30 June 2013 $
The following reflects the income and share data used in the calculation of basic and diluted loss per share:			
Earnings used in calculation of basic and diluted earnings per share		(792,267)	(1,099,388)
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	(i)	27,185,411	26,495,001

(i) Share options are not considered dilutive, as their impact would be to decrease the net loss per share.

16. RELATED PARTY DISCLOSURE

Key Management Personnel

Disclosures relating to key management personnel and any related party transactions are set out below and in the Remuneration Report.

Transactions are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated:

	Year ended 30 June 2014 $	Year ended 30 June 2013 $
Legal services fees paid to Cardinals Corporate Pty Ltd, an entity related to Mr Richard Homsany	45,000	75,099
Company secretarial and accounting fees paid to Athena Corporate Pty Ltd, an entity related to Ms Suzie Foreman	46,200	46,200
Office and administration support fees paid to Zephyr Consulting Group Pty Ltd, an entity in which Mr Ian Prentice is a major shareholder	86,400	86,400
Geological services fees paid to Ian Prentice	72,000	36,000
Corporate advisory fees paid to Chess Capital Pty Ltd, an entity to which Jason Eveleigh is a director	60,000	25,000

Key management personnel balances:	As at 30 June 2014 $	As at 30 June 2013 $
Legal services fees paid to Cardinals Corporate Pty Ltd, an entity related to Mr Richard Homsany	-	3,815
Company secretarial and accounting fees paid to Athena Corporate Pty Ltd, an entity related to Ms Suzie Foreman	3,850	3,850
Office and administration support fees paid to Zephyr Consulting Group Pty Ltd, an entity in which Mr Ian Prentice is a major shareholder	-	-
Geological services fees paid to Ian Prentice	-	6,000
Corporate advisory fees paid to Chess Capital Pty Ltd, an entity to which Jason Eveleigh is a director	5,000	5,000

17. AUDITORS REMUNERATION

	Year ended 30 June 2014 $	Year ended 30 June 2013 $
Amounts received or due and receivable by :		
- HLB Mann Judd - audit or review of the financial report of the Company at the financial year end	40,750	33,000
	40,750	33,000

18. INTEREST IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Merah Resources Limited and the following subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage of equity interest held by Consolidated Entity		Investment	
		2014 %	2013 %	2014 $	2013 $
Merah African Exploration Limited	Zambia	**100**	**100**	**250**	**250**
Merah West Africa Limited	Ghana	**100**	**-**	**1**	**-**

Merah Resources Limited is the ultimate Australian parent entity of the Group.

19. FINANCIAL INSTRUMENTS

(i) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash call deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments.

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

Financial Risk Exposures and Management
The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Foreign Currency Risk
The Group is exposed to US dollar (USD) currency fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2014 $	2013 $	2014 $	2013 $
US Dollars	-	(1,124)	81,179	164,915

19. FINANCIAL INSTRUMENTS *(Continued)*

(b) Interest Rate Risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Group does not have short or long-term debt, and therefore this risk is minimal. At the reporting date the interest rate profile of the Company's and Group's interest-bearing financial instruments is detailed in Note 19(ii) below.

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure due to the nature of its operations. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

If the Company anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities, then the decision on how the Company will raise future capital will depend upon market conditions existing at that time.

The Group manages liquidity risk by continually monitoring forecast and actual cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

(e) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(ii) Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the balance sheet.

2014	**Floating interest rate $**	**Fixed interest maturing in**		**Non-Interest bearing $**	**Total $**
		1 year or less $	**over 1 year $**		
Financial Assets					
Cash at bank	141,399	-	-	-	141,399
Trade & other receivables	-	-	-	39,251	39,251
	141,399	-	-	39,251	180,650
Weighted Average Interest Rate	0.72%				
Financial Liabilities					
Trade & other creditors	-	-	-	155,764	155,764
	-	-	-	155,764	155,764

19. FINANCIAL INSTRUMENTS *(Continued)*

2013	Floating interest rate $	Fixed interest maturing in		Non-Interest bearing $	Total $
		1 year or less $	over 1 year $		
Financial Assets					
Cash at bank	1,133,496	-	-	-	1,133,496
Trade & other receivables	-	-	-	46,284	46,284
	1,133,496	-	-	46,284	1,179,780
Weighted Average Interest Rate	2.25%				
Financial Liabilities					
Trade & other creditors	-	-	-	96,699	96,699
	-	-	-	96,699	96,699

(iii) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and liabilities approximates fair value because of their short-term maturity.

(iv) Interest Rate Sensitivity Analysis

At 30 June 2014, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	2014 $	2013 $
CHANGE IN PROFIT/(LOSS) AND EQUITY		
Increase in interest rate by 2%	2,828	22,670
Decrease in interest rate by 2%	(2,828)	(22,670)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

20. CONTINGENT ASSETS AND LIABILITIES

The Company announced on 28 January 2014 that all conditions precedent under the Heads of Agreement with Castle Minerals Limited (“Agreement”) and its wholly owned subsidiary Topago Mining Limited, to secure the Option to acquire 100% interest in the Antubia gold tenements (the Topago Agreement) were satisfied (Option Grant Completion). For further details of the Agreement see the Company’s ASX announcement dated 4 April 2013.

As a consequence of the Option Grant Completion, Merah made a cash payment of $85,000 and issued 2,000,000 fully paid ordinary shares to the vendor.

Merah must expend a minimum sum of $250,000 per annum on exploration and will be responsible for meeting the costs of all outgoings with respect to the tenements, including keeping the tenements in good standing, except by the mutual consent of the parties.

Upon exercise of the Option by written notice from Merah to Topago or Castle within the Option Period, the parties may enter into a formal sale and purchase agreement upon the request of a party in accordance with the Topago Agreement.

The consideration payable by Merah to Topago in connection with the sale and purchase of the Tenements under the Topago Agreement is as follows:

20. CONTINGENT ASSETS AND LIABILITIES *(continued)*

(a) the issue and allotment of 2,000,000 Shares to Topago and/or its nominee(s) upon the first definition by Merah of a JORC compliant resource within the area of the Tenements, and which meets the investment requirements of Merah in its sole and absolute discretion ("Defined Resource"); and

(b) the issue and allotment of 2,000,000 Shares to Topago and/or its nominee(s) on the last to occur of the following:

(i) completion of a first preliminary feasibility study commissioned or prepared by Merah on the development of the proposed mining operation on the Defined Resource on the basis of which a decision by Merah to proceed with the development of a technically and commercially feasible and viable operation directed to the winning and mining of ore, and the treatment of ore to produce saleable mineral product, can be made; and

(ii) the grant and issue of a mining licence by the relevant Public Authority in respect of the Tenements containing the Defined Resource.

Other than as stated above, there are no contingent liabilities or contingent assets as at the reporting date.

21. EMPLOYEE BENEFITS

During the financial year ended 30 June 2014, no share-based payments were issued.

22. SHARE BASED PAYMENT PLANS

During the year there were nil (2013: nil) options issued to directors and executives as part of their remuneration.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options on issue during the financial year:

	Number of Options 2014	Weighted Average Exercise Price $ 2014	Number of Options 2013	Weighted Average Exercise Price $ 2013
Outstanding at the beginning of the year	2,000,000	$0.20	2,000,000	$0.20
Granted during the year	-	-	-	-
Other changes [v]	333,333	-	-	-
Outstanding at the end of the year	2,333,333		2,000,000	
Exercisable at the end of the year	2,333,333		2,000,000	

(i) The options outstanding at 30 June 2014 had a weighted average exercise price of $0.20.
(ii) Options outstanding at 30 June 2014 had a weighted average remaining life of 1.17 years.
(iii) The weighted average fair value of the options granted as share based payments was $0.00308.
(iv) 1,000,000 options on issue became no longer reportable as remuneration granted due to board restructure as per ASX announcement 30 April 2014.
(v) On appointment/resignation as a member of key management personnel.

23. PARENT ENTITY DISCLOSURE

a) Financial position

	30 June 2014 $	30 June 2013 $
Assets		
Current assets	182,096	1,179,780
Non-current assets	779,268	214,016
Total assets	**961,364**	**1,393,796**
Liabilities		
Current liabilities	155,764	96,699
Total liabilities	**155,764**	**96,699**
Equity		
Issued capital	3,123,055	2,825,255
Accumulated losses	(2,330,542)	(1,544,442)
Reserves	13,087	16,284
Total equity	**805,600**	**1,297,097**

Financial performance

	Year ended 30 June 2014 $	Year ended 30 June 2013 $
Loss for the year	(792,267)	(1,097,925)
Other comprehensive income	-	-
Total comprehensive income	(792,267)	(1,097,925)

b) Contingent liabilities

Other than detailed on Note 20, as at 30 June 2014 and 2013, the Company had no contingent liabilities.

c) Contractual commitments

Other than detailed in Note 25, as at 30 June 2014 and 2013, the Company had no contractual commitments.

d) Guarantees entered into by parent entity

As at 30 June 2014 and 2013, the Company had not entered into any guarantees.

24. SUBSEQUENT EVENTS

On 18 July 2014, the Company announced that it has entered into an Agreement with Oresearch Limited to acquire 100% of their issued capital, and additionally entered into a farm-in joint venture agreement with Pacific Ridge Exploration Ltd to acquire the right to earn up to an 80% interest in the Fyre Lake project located in Yukon Canada.

On 21 July 2014, the Company announced the completion of a Placement of 4,100,000 fully paid ordinary shares in the Company at $0.03 per share to facilitate the acquisition of Oresearch Limited.

On 11 August 2014, the Company announced that with the signing of the Agreement between Oresearch and Teck, upon settlement of the acquisition of Oresearch Merah will now also acquire an interest in the Coober Pedy Project, located in South Australia.

On 19 August 2014, the Company issued a prospectus for a non-renounceable entitlement issue of two (2) shares for every three (3) shares held by those Shareholders registered at the Record Date at an issue price of $0.03 per share to raise up to $661,900. The entitlements offer is fully underwritten by Patersons Securities Limited.

On 29 August 2014, the Company lodged a Notice of Meeting pursuant to the transactions entered into with Oresearch Limited and Pacific Ridge Exploration Limited. The EGM is to be held on 29 September 2014.

The Directors are not aware of any other matter or circumstances that have arisen since 30 June 2013 which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

25. COMMITMENTS FOR EXPENDITURE

(a) Exploration commitments

The Company will have minimum obligations pursuant to the terms and conditions of prospective tenement licenses in the forthcoming year of exploration and rental commitments as detailed below. These obligations are capable of being varied from time to time, in order to maintain current rights to tenure to mining tenements.

	Exploration Commitment
Within 1 year	$280,000
1 – 5 years	-
5+ years	-

(b) Lease expenditure commitments

There is one operating lease being a rental lease on the Company's premises. The rental lease amounts to $7,920 inclusive of GST per month and expires 30 September 2014.

The directors are not aware of any further commitments for expenditure as at 30 June 2014.

DIRECTORS' DECLARATION

1. The directors of the Company declare that:

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

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

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

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

Mr David Deloub
Executive Chairman

11 September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Merah Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Merah Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other 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 for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

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

Auditor's responsibility

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

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

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

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

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Auditor's opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 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(a).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(p) in the financial report, which indicates that the Group incurred a loss of $792,267 and had net cash outflows from operating activities of $990,666 for the year ended 30 June 2014 and has a cash balance of $141,399 at year end. These conditions, along with other matters as set forth in Note 1(p), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the remuneration report included in 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.

Auditor's opinion

In our opinion the remuneration report of Merah Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
11 September 2014

ADDITIONAL SHAREHOLDER INFORMATION

1. *Distribution Schedule of the Number Of Holders In Each Class of Equity Security As At 4 August 2014*

Shareholding

The distribution of members and their holdings of equity securities in the Company were as follows:

	Class of Equity Securities
Number held as at 4 August 2014	**Fully Paid Ordinary Shares**
1-1,000	2
1,001 - 5,000	5
5,001 – 10,000	140
10,001 - 100,000	44
100,001 and over	44
Totals	**235**

Marketable Parcel
Holders of less than a marketable parcel:- fully paid shares 158

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

1. *Substantial Shareholders*

Shareholder	**Number**	**Percentage of issued capital held**
Prospect Custodian Limited	5,350,000	16.41%
Mr Brendan William Jesser	2,055,000	6.30%
Castle Minerals Ltd	2,000,000	6.14%
Mr Malcolm Shippen	1,994,000	6.12%
Mr Jeffrey Bennett	1,815,000	5.57%

3. *Unquoted Securities*

Class of Equity Security	**Number**	**Number of Security Holders**
Unlisted Options, $0.20 expiring 31 August 2015	7,000,000	10

ADDITIONAL SHAREHOLDER INFORMATION *(Continued)*

4. *Twenty Largest Shareholders in Each Class of Equity Security As At 4 August 2014*

The names of the twenty largest ordinary fully paid shareholders are as follows:

Name	Number of Ordinary Fully Paid Shares Held	Held of Issued Ordinary Capital (%)
Prospect Custodian Ltd	5,350,000	16.17%
Castle Minerals Ltd	2,000,000	6.04%
Pitt St Absolute Return	1,797,500	5.43%
JBwere Nz Nomineees Ltd	1,250,000	3.78%
Jesser B W + Aikman E K	1,180,000	3.57%
Karakoram No2 Pty Ltd	1,120,000	3.38%
Maria Scodella & Assoc Pty Ltd	1,095,000	3.31%
Glennfield Pty Ltd	1,018,000	3.08%
Batagol Brandon Armon	1,000,000	3.02%
Hixon Pty Ltd	895,000	2.70%
Shippen Malcolm	885,000	2.67%
Hawthorn Grove Inv Pty Ltd	875,000	2.64%
Deloub David	875,000	2.64%
Sedy Peter	787,500	2.38%
Eveleigh Jason Mark	787,500	2.38%
Hynes Michael John	787,500	2.38%
Citicorp Nom Pty Ltd	655,500	1.98%
Jeff Bennett Superfund	620,000	1.87%
Prentice Mirella Rosanna	510,000	1.54%
Ausepen Pty Ltd	509,000	1.54%
TOTAL	**23,997,500**	**72.50%**

Names of persons holding greater than 20% of a class of unquoted securities at 8 August 2013 are as follows:

Class of Security	Number	Holder
Performance Rights B expiring on 31 October 2015	1,000,000	David Deloub
Performance Rights C expiring on 31 October 2016	1,000,000	David Deloub
TOTAL	**2,000,000**	

5. *Restricted Securities*

The Company has no restricted securities on issue.

6. *Consistency With Business Objectives*

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing in a way consistent with its stated business objectives.

SCHEDULE OF TENEMENTS

Project	Tenement	Equity
Ghana		
Antubia	PL2/398	Under Option
Antubia	PL2/400	Under Option